DEC 2 8 1987

546 D GA1.13:RCED-85-87

REPORT BY THE U.S.

General Accounting Office

COMPLETED 213

Summary Of GAO Reports Issued Since 1981 Pertaining To Farm Bill Legislation

GAO has issued 148 reports pertaining to programs authorized by the Farm Bill since it was renewed in 1981. The reports are organized according to the titles of the 1981 act. An additional section discusses ongoing GAO work related to Farm Bill issues such as the Payment-In-Kind Program, Farmers Home Administration, Food Stamps, rural development, and biotechnology.

Previous reports are briefly summarized and updated to assist the Congress in its deliberations concerning renewal and possible modification of the Farm Bill.

ORIGINAL

GAO/RCED-85-87
JULY 5, 1985

G.M. 10/1

Request for copies of GAO reports should be sent to:

U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20877

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are $3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are $1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

RESOURCES, COMMUNITY,
AND ECONOMIC DEVELOPMENT
DIVISION

B-201660

The Honorable Richard G. Lugar
Chairman, Committee on Foreign
Relations
United States Senate

The Honorable Jesse A. Helms
Chairman, Committee on Agriculture,
Nutrition, and Forestry
United States Senate

The Honorable E (Kika) de la Garza
Chairman, Committee on Agriculture
House of Representatives

The Honorable Dante B. Fascell
Chairman, Committee on Foreign
Affairs
House of Representatives

This report summarizes and updates GAO reports issued since 1981 on topics that are addressed by the Agriculture and Food Act of 1981 (the Farm Bill) and related subjects. The report was prepared to assist the members of the agriculture committees in their deliberations on renewal, modification, and extension of the Farm Bill. Since the subject of Public Law 480 is involved, it may also be of assistance to members of the Senate Committee on Foreign Relations and the House Committee on Foreign Affairs.

Report summaries and updates are presented according to the titles of the Farm Bill, and the final section discusses ongoing jobs dealing with Farm Bill issues.

By providing summaries of our reports and updates in this manner, we are seeking to provide information at a time when it will be most useful--as legislative decisions are being made. Copies of the report are being sent to the Secretaries of Agriculture, State, Health and Human Services, Defense, and Commerce and to the Director, Office of Management and Budget, and the Administrator, Environmental Protection Agency.

Ralph Dakroyga

J. Dexter Peach
Director

MAJOR REPORTS PERTAINING TO PROVISIONS
OF THE AGRICULTURE AND FOOD ACT OF 1981

		Page
	TITLE I -- DAIRY	
CED-81-157 Sept. 18, 1981	Storage Cost Data on CCC-Owned Dairy Commodities	1
CED-82-79 May 18, 1982	Savings Are Possible Through Better Management of Government-Owned Dairy Products	1
RCED-84-72 Dec. 20, 1983	Government-Owned Surplus Dairy Products Held In Inventory	2
RCED-84-88 Jan. 17, 1984	Feasibility of Providing the Armed Services With Additional Surplus Dairy Commodities Owned by USDA	3
RCED-84-58 March 14, 1984	Improved Administration of Special Surplus Dairy Product Distribution Program Needed	3
	TITLE II -- WOOL AND MOHAIR	
CED-82-86 Aug. 2, 1982	Congressional Decision Needed on Necessity of Federal Wool Program	6
	TITLE III -- WHEAT	
CED-82-61 and CED-82-61S June 15, 1982	Market Structure and Pricing of U.S. Grain Export System (See Food Marketing Section)	144
RCED-83-54 Nov. 2, 1982	USDA Needs Objective Criteria for Awarding Special Disaster Payments	8
RCED-83-50 March 29, 1983	Changes Are Needed to Assure Accurate and Valid Wheat Deficiency Payments	8
RCED-85-62 March 11, 1985	Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program	10

RCED-85-20 April 9, 1985	Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System (See Food Marketing Section)	147
RCED-85-118 April 24, 1985	Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985	11

TITLE IV -- FEED GRAINS

CED-82-61 and CED-82-61S June 15, 1982	Market Structure and Pricing of U.S. Grain Export System (See Food Marketing Section)	144
RCED-83-54 Nov. 2, 1982	USDA Needs Objective Criteria for Awarding Special Disaster Payments (See Title III)	8
RCED-84-137 Sept. 25, 1984	Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-In-Kind Program	13
RCED-85-62 March 11, 1985	Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program (See Title III)	10
RCED-85-20 April 9, 1985	Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System (See Food Marketing Section)	147
RCED-85-118 April 24, 1985	Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985 (See Title III)	11

TITLE V -- COTTON

RCED-83-54 Nov. 2, 1982	USDA Needs Objective Criteria for Awarding Special Disaster Payments (See Title III)	8

RCED-85-62 March 11, 1985	Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program (See Title III)	10
RCED-85-118 April 24, 1985	Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985 (See Title III)	11

TITLE VI -- RICE

ID-83-48 May 18, 1983	U.S. Government Actions Affecting Rice Sales to Korea	16
RCED-85-62 March 11, 1985	Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program (See Title III)	10
RCED-85-118 April 24, 1985	Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985 (See Title III)	11

TITLE VII -- PEANUTS

CED-81-156 Sept. 21, 1981	Information on Peanut Allotment Owners That Lease and Rent Away Rather Than Plant Their Peanut Allotment Quotas	17

TITLE VIII -- SOYBEANS

CED-82-61 and CED-82-61S June 15, 1982	Market Structure and Pricing of U.S. Grain Export System (See Food Marketing Section)	144

TITLE IX -- SUGAR

CED-81-113 May 29, 1981	Gross and Net Income of Major U.S. Sugar Cane and Beet Producers	19
RCED-85-19 Nov. 15, 1984	U.S. Sweetener/Sugar Issues and Concerns (See Title III)	19

TITLE X -- GRAIN RESERVES AND NATIONAL AGRICULTURAL COST OF PRODUCTION STANDARDS REVIEW BOARD

CED-81-101 May 14, 1981	Federal Role in Developing Grain Subterminals Should Be Coordinated by USDA	21
CED-81-70 June 26, 1981	Farmer-Owned Grain Reserve Program Needs Modification to Improve Effectiveness	22
CED-81-152 Sept. 10, 1981	Grain Fumigation: A Multi-faceted Issue Needing Coordinated Attention	23
RCED-84-49 Oct. 14, 1983	New or Renovated Warehouse Space Provided Under Extended Storage Agreements	24

TITLE XI -- MISCELLANEOUS

Miscellaneous Commodity Provisions:

CED-82-70 April 23, 1982	Tobacco Program's Production Rights and Effects on Competition	25
RCED-83-50 March 29, 1983	Changes Are Needed to Assure Accurate and Valid Wheat Deficiency Payments (See Title III)	6
Testimony Nov. 3, 1983	Department of Agriculture's Payment-In-Kind Program. Testimony before the House Committee on Ways and Means: Select Revenue Measures Subcommittee	26
RCED-84-33 Dec. 12, 1983	Cost Information on the USDA Tobacco Program	26
RCED-84-137 Sept. 25, 1984	Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-In-Kind Program (See Title IV)	13
RCED-84-159 Aug. 6, 1984	Department of Agriculture Is Using Improved Payment Procedures for Its 1984 Farm Programs	27

General Provisions:

CED-81-19 Dec. 31, 1980	Further Federal Action Needed to Detect and Control Environmental Contamination of Food (See Food Safety and Inspection Section)	152
CED-81-82 March 11, 1981	Increase in Hourly Rate Charged By Department of Agriculture for Resident Inspectors at Egg Processing Plants (See Food Safety and Inspection Section)	153
CED-81-96 June 24, 1981	Weak Management in Animal Disease Control Program Results in Large Economic Losses (See Food Safety and Inspection Section)	154
CED-81-83 July 9, 1981	More Can Be Done to Improve the Department of Agriculture's Commodity Donation Program	28
CED-81-118 July 30, 1981	Improving Sanitation and Federal Inspection at Slaughter Plants: How to Get Better Results for the Inspection Dollar (See Food Safety and Inspection Section)	155
CED-82-8 Oct. 14, 1981	Repayment of Overpaid Cash-in-Lieu-of-Commodities Funds to Louisiana Youth Talent Promotion, Inc.	30
CED-82-7 Dec. 4, 1981	Better Collection and Maintenance Procedures Needed to Help Protect Agriculture's Germplasm Resources (See Title XIV)	90
HRD-82-3 Dec. 11, 1981	Regulation of Cancer-Causing Food Additives--Time for a Change (See Food Safety and Inspection Section)	158
RCED-83-70 Dec. 30, 1982	Changes Underway to Correct Inadequacies in Florida's Meat and Poultry Inspection Program (See Food Safety and Inspection Section)	158

RCED-83-68 May 4, 1983	Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed (See Food Safety and Inspection Section)	160
RCED-83-81 June 15, 1983	Improved Management of Import Meat Inspection Program Needed	31
RCED-83-164 June 23, 1983	Public and Private Efforts to Feed America's Poor	33
RCED-83-190 July 8, 1983	Implementation of Section 191 of the Omnibus Budget Reconciliation Act of 1982	34
RCED-83-153 Sept. 9, 1983	Monitoring and Enforcing Food Safety--An Overview of Past Studies (See Food Safety and Inspection Section)	162
RCED-84-23 Oct. 21, 1983	USDA's Oversight of State Meat and Poultry Inspection Programs Could Be Strengthened (See Food Safety and Inspection Section)	163

TITLE XII -- AGRICULTURAL EXPORTS AND PUBLIC LAW 480

General Export Provisions:

ID-81-5 Dec. 11, 1980	Promoting Agricultural Exports to Latin America	36
C-CED-81-1 March 3, 1981	Suspension of Grain Sales to Soviet Union: Monitoring Difficult--Shortfall Substantially Offset	36
CED-81-110 July 27, 1981	Lessons to Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension	37
RCED-84-1 June 4, 1984	Importance and Impact of Federal Alcohol Fuel Tax Incentives	39
RCED-85-20 April 9, 1985	Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System (See Food Marketing Section)	147

Public Law 480

ID-81-6 Dec. 19, 1980	Competition Among Suppliers in the P.L. 480 Concessional Food Sales Program	39
ID-81-19 March 16, 1981	U.S. Assistance to Egyptian Agriculture: Slow Progress After 5 Years	40
ID-81-33 March 27, 1981	Status Report on U.S. Participation in the International Fund for Agricultural Development (See Title XIV)	85
ID-81-26 March 31, 1981	Poor Planning and Management Hamper Effectiveness of AID's Program to Increase Fertilizer Use in Bangladesh	41
ID-81-32 June 23, 1981	Food for Development Program Constrained by Unresolved Management and Policy Questions	42
ID-82-3 Oct. 16, 1981	AID and Universities Have Yet to Forge an Effective Partnership to Combat World Food Problems	43
Letter Report Feb. 3, 1982	Letter of Inquiry on AID Agricultural Research Activities	45
ID-82-29 June 3, 1982	Food Conservation Should Receive Greater Attention in AID Agricultural Assistance Policies and Programs	45
ID-83-2 Dec. 29, 1982	International Assistance to Refugees in Africa Can Be Improved	47
ID-83-24 March 3, 1983	Managing the Transportation of U.S.-Donated Food to Developing Countries	49
ID-83-45 April 19, 1983	Agency for International Development's Assistance to Jamaica	50
NSIAD-83-31 Aug. 29, 1983	Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance	51
NSIAD-83-36 Sept. 8, 1983	Africa's Agricultural Policies--A More Concerted Effort Will Be Needed If Reform Is Expected	53

OCE-84-3 Jan. 31, 1984	Economic Effects of Cargo Preference Laws	54
NSIAD-84-76 April 10, 1984	Foreign Currency Purchases Can Be Reduced Through Greater Use of Currency Use Payments Under Public Law 480 Commodity Sales Agreements	55
NSIAD-84-69 April 19, 1984	Opportunities for Greater Cost Effectiveness in Public Law 480, Title I Food Purchases	56
NSIAD-84-116 June 7, 1984	Peruvian Rice Purchases Guaranteed by the Commodity Credit Corporation	58
NSIAD-85-21 Oct. 24, 1984	Overpayment of Transportation Costs for Public Law 480 Commodities	58

TITLE XIII -- FOOD STAMP AND COMMODITY DISTRIBUTION AMENDMENTS OF 1981

CED-81-72 Feb. 27, 1981	Information on Dine-Out Feature of the Food Stamp Program	60
CED-81-81 March 9, 1981	Analysis of Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs (See Food Assistance Section)	125
CED-81-85 March 26, 1981	Information on Strikers' Participation in the Food Stamp Program	60
GGD-81-31 April 3, 1981	Improved Collections Can Reduce Federal and District Government Food Stamp Program Costs	61
CED-81-83 July 9, 1981	More Can Be Done to Improve the Department of Agriculture's Commodity Donation Program (See Title XI)	28
CED-81-117 July 31, 1981	Insights Gained in Workfare Demonstration Projects	63
CED-82-34 Jan. 29, 1982	Millions Could Be Saved By Improving Integrity of the Food Stamp Program's Authorization-To-Participate System	64

CED-82-44 Feb. 19, 1982	Food Stamp Workfare: Cost Benefit Results Not Conclusive; Administrative Problems Continue	66
CED-82-50 Feb. 24, 1982	Changes Are Needed in the Proposed Departmental Review and Evaluation of the Puerto Rico Block Grant	67
CED-82-59 March 15, 1982	Expedited Service in the Food Stamp Program	68
HRD-82-72 May 18, 1982	Federal Efforts to Simplify the AFDC, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures	69
CED-82-87 May 21, 1982	Food Stamp Program Application Processing Time	70
CED-82-89 May 21, 1982	Use of Scrip Versus Cash in Making Change for Food Stamp Purchases	70
CED-82-56 May 21, 1982	Progress Made in Federal Human Nutrition Research Planning and Coordination: Some Improvements Needed (See Title XIV)	92
CED-82-103 June 16, 1982	States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program	71
RCED-83-40 Feb. 4, 1983	Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud	72
FPCD-83-25 April 19, 1983	Small Percentage of Military Families Eligible for Food Stamps	75
RCED-83-164 June 23, 1983	Public and Private Efforts to Feed America's Poor (See Title XI)	33
RCED-83-190 July 8, 1983	Implementation of Section 191 of the Omnibus Budget Reconciliation Act of 1982 (See Title XI)	34
AFMD-84-18 Feb. 2, 1984	Federal and State Initiatives Needed to Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs	76

RCED-84-155 April 25, 1984	Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits	77
RCED-84-94 May 30, 1984	The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better	78
RCED-84-112 Sept. 11, 1984	Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity	80
RCED-85-98 April 12, 1985	Quality Control Error Rates for the Food Stamp Program	83
RCED-85-109 April 17, 1985	Overview and Perspectives on the Food Stamp Program	84

TITLE XIV -- NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT AMENDMENTS OF 1981

CED-81-81 March 9, 1981	Analysis of Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs (See Food Assistance Section)	125
ID-81-33 March 27, 1981	Status Report on U.S. Participation in the International Fund for Agricultural Development	85
CED-81-75 April 10, 1981	The Department of Agriculture Can Minimize the Risk of Potential Crop Failures	85
CED-81-141 July 24, 1981	Long-Range Planning Can Improve the Efficiency of Agricultural Research and Development	87
CED-81-119 Aug. 21, 1981	Cooperative Extension Service's Mission and Federal Role Need Congressional Clarification	88
CED-82-7 Dec. 4, 1981	Better Collection and Maintenance Procedures Needed to Help Protect Agriculture's Germplasm Resources	90
CED-82-25 Dec. 28, 1981	Agency Responsibilities to Keep Informed of Personnel Needs in the Food and Agricultural Sciences	91

CED-82-56 May 21, 1982	Progress Made in Federal Human Nutrition Research Planning and Coordination: Some Improvements Needed	92
RCED-83-20 Jan. 14, 1983	Federal Agricultural Research Facilities Are Underused	93
RCED-83-89 Jan. 31, 1983	Agricultural Economics Research and Analysis Needs Mission Clarification	94
RCED-83-83 Feb. 9, 1983	Research and Extension Programs to Aid Small Farms	95
RCED-84-20 Oct. 20, 1983	Federal Agricultural Research Funding: Issues and Concerns	96

TITLE XV -- RESOURCE CONSERVATION

CED-81-87 June 5, 1981	Congressional Action Needed to Provide a Better Focus on Water-Related Research	97
CED-81-120 Aug. 11, 1981	Continuation of the Resource Conservation and Development Program Raises Questions	98
CED-82-41 Jan. 29, 1982	Comments on the U.S. Department of Agriculture's 1981 Program Report and Environmental Impact Statement	100
EMD-82-30 Sept. 30, 1982	Department of Agriculture Could Do More to Help Farmers Conserve Energy	100
RCED-83-18 Dec. 6, 1982	Sharing the Cost of Making Federal Water Project Feasibility Studies	101
RCED-84-48 Nov. 28, 1983	Agriculture's Soil Conservation Programs Miss Full Potential in the Fight Against Soil Erosion	102

TITLE XVI -- CREDIT, RURAL DEVELOPMENT, AND FAMILY FARMS

GGD-81-22 Jan. 28, 1981	How the Farm Credit Administration Can Improve Its Use of Auditing	105

CED-81-56 Jan. 30, 1981	Summary of Major Deficiencies in the Farmers Home Administration's Business and Industrial Loan Program	106
CED-81-86 March 26, 1981	Pension Fund Investment in Agricultural Land	106
HRD-82-27 Jan. 7, 1982	Agreement Between HHS and USDA to Finance the Construction and Renovation of Rural Health Centers Is Improper	107
Letter Report May 14, 1982	Assistance to Beginning Farmers	108
RCED-83-36 Dec. 2, 1982	Federal Food, Agriculture, and Nutrition Programs in the New England Region	110
RCED-83-83 Feb. 9, 1983	Research and Extension Programs to Aid Small Farms (See Title XIV)	95
GGD-83-26 March 7, 1983	Interim Report on the Implementation of the Farm Credit Act Amendments of 1980	110
RCED-83-157 Aug. 12, 1983	Equitable Interest Rates Are Needed for Farmers Home Administration Loans	111
RCED-84-145 March 26, 1984	Income Analysis of Farmers Home Administration Subsidized Rural Homebuyers in 1983	113
RCED-84-56 April 17, 1984	Multiplier Effect of the Agricultural Sector on the General Economy	113

TITLE XVII -- FLORAL RESEARCH AND CONSUMER INFORMATION

(No GAO Reports Issued) 115

TITLE XVIII -- EFFECTIVE DATE

(No GAO Reports Issued) 115

OTHER GAO REPORTS WHICH MAY BE OF INTEREST TO COMMITTEES IN DEVELOPING THE 1985 FARM BILL

CROP INSURANCE

CED-81-75 April 10, 1981	The Department of Agriculture Can Minimize the Risk of Potential Crop Failures (See Title XIV)	85
CED-81-148 July 30, 1981	Analysis of Certain Operations of the Federal Crop Insurance Corporation	115
RCED-83-117 March 8, 1983	Information on the Federal Crop Insurance Program	115
RCED-83-114 March 9, 1983	Information on the Federal Crop Insurance Corporation's 1983 Standard Reinsurance Agreement	116
RCED-83-50 March 29, 1983	Changes Are Needed to Assure Accurate and Valid Wheat Deficiency Payments (See Title III)	8
AFMD-83-74 July 22, 1983	Review of the Federal Crop Insurance Corporation's Financial Statements for the Year Ended September 30, 1981	117
RCED-84-65 March 14, 1984	More Attention Needed in Key Areas of the Expanded Crop Insurance Program	117
RCED-84-120 March 16, 1984	Federal Crop Insurance Program in North Carolina and Iowa	119
RCED-84-169 July 13, 1984	The Federal Crop Insurance Corporation's Efforts to Provide Monthly Reports to the Senate Committee on Appropriations	119
RCED-84-137 Sept. 25, 1984	Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-In-Kind Program (See Title IV)	13
RCED-85-39 March 1, 1985	Federal Insurance Program for Grain Warehouse Depositors--Issues and Information	120

DEPARTMENTAL OPERATIONS

CED-81-49 April 16, 1981	Department of Agriculture Should Have More Authority to Assess User Charges	121
CED-81-137 Aug. 13, 1981	Review of Financial Statements of Commodity Credit Corporation	122
CED-82-106 June 16, 1982	Information on Commodity Credit Corporation Loan Repayment Practices	123
RCED-83-138 June 30, 1983	Organizational, Personnel, and Office Location Changes Made by the Food and Nutrition Service	124
AFMD-83-87 Sept. 2, 1983	Review of the Commodity Credit Corporation's Financial Statements for the Year Ended September 30, 1981	125

FEDERAL FOOD ASSISTANCE

CED-81-72 Feb. 27, 1981	Information on Dine-Out Feature of the Food Stamp Program (See Title XIII)	60
CED-81-81 March 9, 1981	Analysis of Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs	125
CED-81-85 March 26, 1981	Information on Strikers' Participation in the Food Stamp Program (See Title XIII)	60
GGD-81-31 April 3, 1981	Improve Collections Can Reduce Federal and District Government Food Stamp Program Costs (See Title XIII)	61
CED-81-83 July 9, 1981	More Can Be Done to Improve the Department of Agriculture's Commodity Donation Program (See Title XI)	28
CED-81-117 July 31, 1981	Insights Gained in Workfare Demonstration Projects (See Title XIII)	63
CED-81-121 Sept. 9, 1981	Efforts to Improve School Lunch Programs--Are They Paying Off?	126

CED-82-34 Jan. 29, 1982	Millions Could Be Saved By Improving Integrity of the Food Stamp Program's Authorization-To-Participate System (See Title XIII)	64
CED-82-44 Feb. 19, 1982	Food Stamp Workfare: Cost Benefit Results Not Conclusive; Administrative Problems Continue (See Title XIII)	66
CED-82-50 Feb. 24, 1982	Changes Are Needed in the Proposed Departmental Review and Evaluation of the Puerto Rico Block Grant (See Title XIII)	67
CED-82-59 March 15, 1982	Expedited Service in the Food Stamp Program (See Title XIII)	68
HRD-82-72 May 18, 1982	Federal Efforts to Simplify the AFDC, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures (See Title XIII)	69
CED-82-87 May 21, 1982	Food Stamp Program Application Processing Time (See Title XIII)	70
CED-82-56 May 21, 1982	Progress Made in Federal Human Nutrition Research Planning and Coordination: Some Improvements Needed (See Title XIV)	92
CED-82-89 May 21, 1982	Use of Scrip Versus Cash in Making Change for Food Stamp Purchases (See Title XIII)	70
CED-82-103 June 16, 1982	States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program (See Title XIII)	71
RCED-83-40 Feb. 4, 1983	Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud (See Title XIII)	72
FPCD-83-25 April 19, 1983	Small Percentage of Military Families Eligible for Food Stamps (See Title XIII)	75

RCED-83-164 June 23, 1983	Public and Private Efforts to Feed America's Poor (See Title XI)	33
RCED-83-190 July 8, 1983	Implementation of Section 191 of the Omnibus Budget Reconciliation Act of 1982 (See Title XI)	34
Letter Report Sept. 7, 1983	Observations on the National School Lunch Program's Assessment, Improvement, and Monitoring System	128
PEMD-84-4 Jan. 30, 1984	WIC Evaluations Provide Some Favorable But No Conclusive Evidence on the Effects Expected for the Special Supplemental Program for Women, Infants, and Children	130
AFMD-84-18 Feb. 2, 1984	Federal and State Initiatives Needed to Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs (See Title XIII)	76
RCED-84-155 April 25, 1984	Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits (See Title XIII)	77
RCED-84-132 March 30, 1984	Participation in the National School Lunch Program	131
RCED-84-94 May 30, 1984	The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better (See Title XIII)	78
RCED-84-112 Sept. 11, 1984	Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity (See Title XIII)	80
RCED-85-98 April 12, 1985	Quality Control Error Rates for the Food Stamp Program (See Title XIII)	83
RCED-85-109 April 17, 1985	Overview and Perspectives on the Food Stamp Program (See Title XIII)	84

FEDERAL FOOD/AGRICULTURE INFORMATION

CED-82-12 Jan. 8, 1982	Informing the Public About Food--A Strategy Is Needed for Improving Communication	132
GGD-82-43 Feb. 10, 1982	Opportunities for Reducing the Cost of the 1982 Agricultural and Economic Censuses	133
CED-82-46 Feb. 26, 1982	Better Ways to Provide for Use of Agricultural Information	134
CED-82-65 May 25, 1982	What Can Be Done to Improve Nutrition Education Efforts in the Schools	135
IMTEC-83-4 Sept. 2, 1983	How the Content of the Agricultural and Economic Censuses Is Determined and Used	136
IMTEC-84-11 May 25, 1984	ASCS Needs Better Information to Adequately Assess Proposed County and State Office Automation	137

FEDERAL FOOD MARKETING

ID-81-5 Dec. 11, 1980	Promoting Agricultural Exports to Latin America (See Title XII)	36
ID-81-6 Dec. 19, 1980	Competition Among Suppliers in the P.L. 480 Concessional Food Sales Program (See Title XII)	39
C-CED-81-1 March 3, 1981	Suspension of Grain Sales to Soviet Union: Monitoring Difficult--Shortfall Substantially Offset (See Title XII)	36
ID-81-19 March 16, 1981	U.S. Assistance to Egyptian Agriculture: Slow Progress After 5 Years (See Title XII)	40
ID-81-26 March 31, 1981	Poor Planning and Management Hamper Effectiveness of AID's Program to Increase Fertilizer Use in Bangladesh (See Title XII)	41

CED-81-59 April 8, 1981	U.S. Grain Transportation Network Needs System Perspective to Meet Future World Needs	138
ID-81-32 June 23, 1981	Food for Development Program Constrained by Unresolved Management and Policy Questions (See Title XII)	42
CED-81-129 July 2, 1981	Analysis of Certain Aspects of the California-Arizona Navel Orange Marketing Order	140
CED-81-110 July 27, 1981	Lessons to Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension (See Title XII)	37
CED-81-138 Aug. 19, 1981	Emerging Issues From New Product Development in Food Manufacturing Industries	140
ID-82-3 Oct. 16, 1981	AID and Universities Have Yet to Forge an Effective Partnership to Combat World Food Problems (See Title XII)	43
CED-82-11 Nov. 16, 1981	The Packers and Stockyards Administration's Regulatory Reform Activities	141
Letter Report Feb. 3, 1982	Letter of Inquiry on AID Agricultural Research Activities (See Title XII)	45
CED-82-69 May 21, 1982	Agricultural Marketing Act Inspections Should Be Administered by Single USDA Agency	142
ID-82-29 June 3, 1982	Food Conservation Should Receive Greater Attention in AID Agricultural Assistance Policies and Programs (See Title XII)	45
CED-82-61 and CED-82-61S June 15, 1982	Market Structure and Pricing of U.S. Grain Export System	144
ID-83-2 Dec. 29, 1982	International Assistance to Refugees in Africa Can Be Improved (See Title XII)	47

ID-83-24 March 3, 1983	Managing the Transportation of U.S.-Donated Food to Developing Countries (See Title XII)	49
ID-83-45 April 19, 1983	Agency for International Development's Assistance to Jamaica (See Title XII)	50
NSIAD-83-31 Aug. 29, 1983	Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance (See Title XII)	51
NSIAD-83-36 Sept. 8, 1983	Africa's Agricultural Policies--A More Concerted Effort Will Be Needed If Reform Is Expected (See Title XII)	53
OCE-84-3 Jan. 31, 1984	Economic Effects of Cargo Preference Laws (See Title XII)	54
RCED-84-97 March 8, 1984	Electronic Marketing of Agricultural Commodities: An Evolutionary Trend	143
NSIAD-84-76 April 10, 1984	Foreign Currency Purchases Can Be Reduced Through Greater Use of Currency Use Payments Under Public Law 480 Commodity Sales Agreements (See Title XII)	55
RCED-84-110 April 13, 1984	Regulation of the Poultry Industry Under the Packers and Stockyards Act	146
NSIAD-84-69 April 19, 1984	Opportunities for Greater Cost Effectiveness in Public Law 480, Title I Food Purchases (See Title XII)	56
NSIAD-84-116 June 7, 1984	Peruvian Rice Purchases Guaranteed by the Commodity Credit Corporation (See Title XII)	58
NSIAD-85-21 Oct. 24, 1984	Overpayment of Transportation Costs for Public Law 480 Commodities (See Title XII)	58

RCED-85-20 April 9, 1985	Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System	147

FEDERAL FOOD PURCHASING

PLRD-82-3 Oct. 20, 1981	Department of Defense Food Service Program Needs Contracting and Management Improvements	147
PLRD-82-32 Feb. 17, 1982	DOD's Beef Procurement Program Still Needs Improvement	149
RCED-84-88 Jan. 17, 1984	Feasibility of Providing the Armed Services With Additional Surplus Dairy Commodities Owned by USDA (See Title I)	3
RCED-84-29 Feb. 21, 1984	Government Could Save Millions by Revising Its Purchase Specification for Ground Beef	150
RCED-84-150 Sept. 24, 1984	Establishing New Federal Food-Buying Procedures Would Help Eliminate Unnecessary Special Examinations	150

FEDERAL FOOD SAFETY AND INSPECTION

CED-81-19 Dec. 31, 1980	Further Federal Action Needed to Detect and Control Environmental Contamination of Food	152
CED-81-82 March 11, 1981	Increase in Hourly Rate Charged by Department of Agriculture for Resident Inspectors at Egg Processing Plants	153
CED-81-96 June 24, 1981	Weak Management in Animal Disease Control Program Results in Large Economic Losses	154
CED-81-118 July 30, 1981	Improving Sanitation and Federal Inspection at Slaughter Plants: How to Get Better Results for the Inspection Dollar	155
CED-81-152 Sept. 10, 1981	Grain Fumigation: A Multifaceted Issue Needing Coordinated Attention (See Title X)	23

CED-82-7 Dec. 4, 1981	Better Collection and Maintenance Procedures Needed to Help Protect Agriculture's Germplasm Resources (See Title XIV)	90
HRD-82-3 Dec. 11, 1981	Regulation of Cancer-Causing Food Additives--Time for a Change	158
RCED-83-70 Dec. 30, 1982	Changes Underway to Correct Inadequacies in Florida's Meat and Poultry Inspection Program	158
RCED-83-68 May 4, 1983	Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed	160
RCED-83-81 June 15, 1983	Improved Management of Import Meat Inspection Program Needed (See Title XI)	31
RCED-83-159 July 18, 1983	Followup on Actions Needed to Protect Depositors at Federally Examined Grain Warehouses	161
RCED-83-153 Sept. 9, 1983	Monitoring and Enforcing Food Safety--An Overview of Past Studies	162
RCED-84-23 Oct. 21, 1983	USDA's Oversight of State Meat and Poultry Inspection Programs Could Be Strengthened	163
RCED-84-109 Aug. 21, 1984	National Academy of Sciences' Reports on Diet and Health--Are They Credible and Consistent?	164

SEAFOOD

CED-81-65 March 30, 1981	Foreign Investment in U.S. Seafood Processing Industry Difficult to Assess	165
CED-81-125 June 22, 1981	Followup on the National Marine Fisheries Service's Efforts to Assess the Quality of U.S.-Produced Seafood	166

ONGOING GAO JOBS PERTAINING TO THE AGRICULTURE AND FOOD ACT OF 1981

ALTERNATIVE CROP ASSISTANCE

022909	Impact of Offsetting Compliance and Cross Compliance on Farm Programs	168

COMMODITIES OTHER THAN WHEAT AND FEED GRAINS

097704	Review of U.S. Efforts to Support the Domestic Honey Industry	168

DAIRY PROGRAMS

022897	USDA's Implementation of the Paid Diversion Program for Dairy Farmers	169
022905	Comprehensive Report on Issues Relating to Dairy Surplus Problems	169

FARMER'S HOME ADMINISTRATION CREDIT PROGRAMS

028001	FmHA Management of Farm Property	170
069273	Implementation of FmHA Coordinated Financial Statement System	171

FOOD/AGRICULTURE SAFETY/QUALITY

097706	Department of Agriculture's Role in Regulating Intentional Release of Genetically Engineered Organisms	172
097709	Documenting USDA's Research and Development Activities in Biotechnology	173

FOOD ASSISTANCE

023237	Fostering Optimal Use of WIC Program Benefits	174
023238	Assessment of Redeterminations of Eligibility for Continued Food Stamp Benefits	175

023239	Management and Application of Collection Techniques for the Recovery of Overissued Food Stamp and AFDC Benefits	176
023240	Retailer Compliance With Food Stamp and WIC Program Restrictions	177
023243	Assessment of Existing and Alternative Procedures for Issuing Food Stamp Benefits	178
023248	Evaluation of Information and Verification Requirements for Determining Eligibility for School Meal Program Benefits	179

FOOD/FIBER MARKETING

097689	Effectiveness of Agricultural Marketing Order Programs	180
097710	Executive Analysis of the Food/Fiber Environmental Trends, Government Policy and Resulting Paradoxes	181

PAYMENT-IN-KIND (PIK) PROGRAM

022887	Economic, Farm Structure, and Resource Management Effects of the Payment-In-Kind Program	181
022888	1983 Payment-in-Kind Program Overview: Its Design, Impact, and Cost	183

RURAL DEVELOPMENT

021011	Funding Alternatives for the Grasshopper Control Program	183

WHEAT/FEED GRAINS

022902	Impact of Policy on Refund of 1983 Advance Deficiency Payments	184

Contents

		Page
Title I	Dairy	1
Title II	Wool and Mohair	6
Title III	Wheat	8
Title IV	Feed Grains	13
Title V	Cotton	15
Title VI	Rice	16
Title VII	Peanuts	17
Title VIII	Soybeans	18
Title IX	Sugar	19
Title X	Grain Reserves and National Agricultural Cost of Production Standards Review Board	21
Title XI	Miscellaneous	25
	Miscellaneous Commodity Provisions	25
	General Provisions	28
Title XII	Agricultural Exports and Public Law 480	36
	General Export Provisions	36
	Public Law 480	39
Title XIII	Food Stamp and Commodity Distribution Amendments of 1981	60
Title XIV	National Agricultural Research, Extension, and Teaching Policy Act Amendments of 1981	85
Title XV	Resource Conservation	97
Title XVI	Credit, Rural Development, and Family Farms	105
Title XVII	Floral Research and Consumer Information	115
Title XVIII	Effective Date	115

OTHER GAO REPORTS WHICH MAY BE OF INTEREST TO COMMITTEE IN DEVELOPING THE 1985 FARM BILL

Reports Relating to:

Crop Insurance	115
Departmental Operations	121
Federal Food Assistance	125
Federal Food/Agriculture Information	132
Federal Food Marketing	138
Federal Food Purchasing	147
Federal Food Safety and Inspection	152
Seafood	165

ONGOING GAO JOBS PERTAINING TO THE AGRICULTURE AND FOOD ACT OF 1981

Alternative Crop Assistance	168
Commodities Other Than Wheat and Feed Grains	168
Dairy Programs	169
Farmer's Home Administration Credit Programs	170
Food/Agriculture Safety/Quality	172
Food Assistance	174
Food/Fiber Marketing	180
Payment-In-Kind (PIK) Program	181
Rural Development	183
Wheat/Feed Grains	184

TITLE I -- DAIRY

1. Storage Cost Data on CCC-Owned Dairy Commodities. CED-81-157, September 18, 1981

SUMMARY:

In response to a congressional request, GAO obtained certain cost data on the federally owned dairy products from the Commodity Credit Corporation (CCC). CCC is a wholly owned government corporation which acquires commodities through price support and other programs.

As of June 30, 1981, the CCC dairy inventories consisted of about 518 million pounds of butter, about 486 million pounds of cheese, and about 871 million pounds of nonfat dry milk. Nearly three-fourths of the dairy products in storage were less than 1 year old. For the first 9 months of fiscal year 1981, the government's cost to store dairy products rose sharply, totaling over $24 million. By comparison, storage costs for fiscal years 1977-80, when inventories were lower, averaged about $11 million annually. Relatively small quantities of these products were lost due to spoilage while in storage. However, some loss in quality or product deterioration can occur and, when it does, the products are sold at less than inventory value.

2. Savings Are Possible Through Better Management of Government-Owned Dairy Products. CED-82-79, May 18, 1982

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA's) policies and procedures for storing dairy products acquired through the dairy price-support program. The purpose of the review was to evaluate how these products were managed because the government-owned inventories of butter, cheese, and nonfat dry milk increased substantially during fiscal years 1980 and 1981 and these products comprise the largest share of government-owned commodities.

USDA successfully located sufficient storage space for the dairy products, which increased from about 705 million pounds in fall 1979 to more than 2 billion pounds by fall 1981. GAO concluded that USDA would realize an estimated annual savings of up to $1.4 million if it purchased its requirements for 1-pound packages of butter directly from suppliers. Butter in 1-pound packages is used in the domestic school lunch and food-for-the-needy programs and is supplied by repackaging blocks of bulk butter. USDA did not act on previous recommendations to buy 1-pound packages of butter because of the large inventory of bulk butter on hand and its concern that the older stock would deteriorate before it was used. GAO also concluded that warehouses storing the dairy

products are examined more often than necessary. It was estimated that approximately 2,600 staff hours of warehouse examiners' time could be saved annually if the frequency of examinations were reduced from three times to two times a year for warehouses that have good performance records. This would provide time for the decreasing staff of examiners to cope with an increasing workload.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service (ASCS) to establish a policy to buy USDA's requirements for 1-pound packages of butter directly from suppliers whenever possible. The Administrator should implement this policy immediately so that part of the requirement for the next full quarter could be acquired in this manner on the basis of an analysis of projected needs and present inventory. For each succeeding quarter, the Administrator should reevaluate government-owned butter inventories to determine the amount such purchases can be increased so that eventually all requirements can be obtained by direct purchases. The Secretary of Agriculture should direct the Administrator, ASCS, to identify those warehouses that have good performance records and reduce the examination frequency for these warehouses to twice a year.

UPDATE:

In an April 22, 1982, letter to GAO, the agency agreed with the recommendation to reduce the examination frequencies at those warehouses with good performance records and was taking actions to notify the appropriate offices of the changes.

The agency agreed with the recommendation to establish a policy to buy USDA's requirements for 1-pound packages of butter whenever possible. Since our report was issued, USDA has begun purchasing 1-pound packages direct. For example, in calendar year 1984 USDA purchased about 36 million pounds of 1-pound butter prints, or about 18 percent of the 206 million pounds of butter purchased under the price-support program.

In an August 30, 1984, letter to the Chairman, House Committee on Agriculture on this issue, the Deputy Secretary of Agriculture stated that as needs occur, USDA decides whether to convert bulk products into consumer-size packages or to purchase these products directly. Also, he said that as more of the bulk products are used, USDA will be in a better position to purchase more products in consumer-size packages.

3. Government-Owned Surplus Dairy Products Held in Inventory. RCED-84-72, December 20, 1983

SUMMARY:

In response to congressional requests, GAO provided information on the Department of Agriculture's (USDA's) dairy surplus inventory.

GAO found that (1) as of September 23, 1983, USDA had about 3 billion pounds of dairy commodities in storage valued at $3.7 billion, (2) there had been minimal commodity spoilage and loss to the government to date, but deterioration could occur in the future if dairy inventories continue to increase, and (3) USDA leased warehouse facilities, in general, were in good condition.

4. Feasibility of Providing the Armed Services With Additional Surplus Dairy Commodities Owned by USDA. RCED-84-88, January 17, 1984

SUMMARY:

In response to a congressional request, GAO gathered information on the feasibility of providing Department of Agriculture (USDA) surplus dairy commodities to the armed services and obtained information on the prices which the Commodity Credit Corporation (CCC) and the armed services pay for dairy products.

GAO found that, under the Agricultural Act of 1949, the armed services can order dairy products from CCC only in quantities which exceed their normal needs. The armed services must meet their normal needs by purchasing such products on the open market. If the law were revised to eliminate this restriction, providing the armed services' normal needs with CCC-owned dairy products would displace their commercial purchases. This would result in increasing the market surplus which CCC would have to purchase under its dairy price-support program and add to CCC dairy surplus inventories. CCC now pays less for butter and cheese than the armed services pay; however, it purchases products in bulk form, whereas the armed services purchase products in ready-to-use form. When CCC provides free cheese and butter to the armed services, it incurs additional costs to have these products processed into ready-to-use units for military use. The armed services reimburse CCC for the processing costs.

5. Improved Administration of Special Surplus Dairy Product Distribution Program Needed. RCED-84-58, March 14, 1984

SUMMARY:

In response to congressional requests, GAO reviewed the Department of Agriculture's (USDA's) program for distributing surplus dairy products to the needy. Specifically, GAO was

asked to determine whether program administration adequately ensured that products were provided only to the needy and to develop estimates on the extent to which donated products displaced commercial sales.

GAO believes that the absence of national program guidelines on key issues, such as the target population to be served and controls to ensure that participants are eligible, contributed to widely varying programs among the states and, in some cases, among localities. GAO found that (1) three of the eight states studied had not established any needs tests for program participants, (2) distribution frequencies and quantities of products made available to participants varied, (3) controls over the distribution of products were generally inadequate, and (4) until April 1983, when the quantities of products made available were cut back, the states were able to order virtually unlimited amounts of dairy products. As a result, abuses occurred and displacement of commercial sales was greater than necessary. Legislation enacted in September 1983 required the establishment of program criteria and required USDA to (1) provide commodities in quantities which can be used without waste, (2) ensure that the commodities provided do not displace commercial sales, and (3) minimize the paperwork requirements imposed on distribution agencies. To the extent that products given away displace commercial sales, they increase market surpluses which USDA is obligated to purchase under the Dairy Price-Support Program and increase USDA inventories of dairy products. GAO estimated that about 31 percent of the cheese distributed from December 1981 to April 1983 in the eight states would have displaced commercial sales of cheese.

Recommendations: The Secretary of Agriculture should direct the Food and Nutrition Service (FNS) Administrator to make sure that the final regulations issued by FNS, at a minimum, establish some parameters on the eligibility criteria established by states to help create more equitable state and local programs and to help minimize the extent of commercial sales displacement resulting from the program. In establishing such parameters, FNS should consider the amount of commercial sales displacement likely to occur at various household income levels on the basis of data compiled through USDA household food consumption surveys. The Secretary of Agriculture should direct the FNS Administrator to make sure that the final regulations issued by FNS minimize program abuse by requiring states to develop reasonable program controls. Such controls should, as a minimum, require program participants to provide identification and evidence of eligibility.

UPDATE:

In August 1984, FNS stated that the states responded so positively to the December 1983 interim rules that no further guidance on eligibility criteria is needed. Regarding program controls, FNS said that proposed regulations were issued in July 1984 to ensure accountability and compliance.

TITLE II -- WOOL AND MOHAIR

1. Congressional Decision Needed on Necessity of Federal Wool Program. CED-82-86, August 2, 1982

SUMMARY:

GAO reviewed the Department of Agriculture's wool incentive payment program to determine whether it is accomplishing its objectives and whether these objectives are still valid.

The federal wool incentive program has had little effect on encouraging wool production and improving wool quality because decisions to raise sheep--which ultimately affect wool production levels--are based primarily on the profitability of the lamb market. Since most producers decide to raise sheep regardless of federal encouragement, program payments do not necessarily encourage production. By serving as an income supplement, program payments have enabled some producers to continue raising sheep, thus causing wool production levels to be somewhat higher than they would have been without the program. The program also provides for payments to producers who sell unshorn lambs so as to prevent shearing lambs solely to obtain a program payment. According to industry representatives and producers interviewed, these unshorn lamb payments do not influence producers' shearing practices as was intended. The program provides payments to producers regardless of the amount of wool produced. Because noncommercial producers (those with less than 50 sheep) generally receive payments of less than $100 and raise sheep for reasons other than the income, wool incentive payments to noncommercial producers have little effect on wool production levels. Payments made to noncommercial producers and payments for unshorn lambs do not effectively accomplish their intended objectives. Payments to noncommercial producers have little effect on encouraging wool production since noncommercial producers do not rely on the income received from sheep. Payments for unshorn lambs--intended to maintain the normal practice of marketing lambs unshorn--do not influence whether lambs are shorn. Furthermore, the unshorn lamb payment provision is extremely difficult to monitor and is costly to administer.

Furthermore, the increased use of synthetic fibers in military items, once made entirely of wool, and in commercial products has reduced the need for wool, and it is no longer on the list of strategic commodities. GAO found that, although program payments to producers have been substantial, wool production has declined by over 50 percent since the inception of the program. Furthermore, reports on the domestic wool market indicate that wool quality has not improved. Therefore, the major reasons for establishing a program to encourage wool production are not as important as they were when the program was initiated.

Recommendations: Congress should consider whether federal financial assistance should (1) continue to be provided to encourage wool production and/or (2) be provided to generally assist the sheep industry. Congress should, if the program is retained, eliminate payments to noncommercial producers and payments for unshorn lambs because these payments are not accomplishing their intended objectives.

UPDATE:

As of April 1985, no action had been taken on the recommendations.

TITLE III -- WHEAT

1. Market Structure and Pricing of U.S. Grain Export System. CED-82-61 and CED-82-61S, June 15, 1982
(See Food Marketing Section p. 144.)

2. USDA Needs Objective Criteria for Awarding Special Disaster Payments. RCED-83-54, November 2, 1982

SUMMARY:

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA's) decision to award special disaster payments estimated at between $200 million and $250 million in 83 counties in the Southwest. The review focused on (1) USDA criteria for designating counties to receive disaster payments and (2) the equity of the USDA decision concerning counties other than those designated in the Southwest.

GAO found that severe crop losses were sustained by many counties designated to receive special disaster payments, but some counties that received disaster aid had less crop damage than other counties, both in the Southwest region and elsewhere in the country, which were not designated for special payments. The review revealed that USDA did not have objective criteria to apply in designating counties to receive special disaster payments, but USDA officials instead used discretionary authority in an inconsistent manner. GAO believes that these payments should be awarded based on objective criteria applied uniformly throughout the country.

Recommendation: The Secretary of Agriculture should establish objective criteria to be used in awarding special disaster payments.

UPDATE:

The Secretary of Agriculture established criteria in awarding special disaster payments in late 1983.

3. Changes Are Needed to Assure Accurate and Valid Wheat Deficiency Payments. RCED-83-50, March 29, 1983

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA's) system for making deficiency payments to wheat farmers. These payments are designed to supplement eligible wheat farmers' income in the years when wheat prices are low.

Farmers participating in the wheat crop program receive deficiency payments from USDA on the basis of the difference between a target price and the lower national average market

price of wheat. GAO believes that changes are necessary to ensure that accurate and valid payments are being made. Under the current system, overpayments or underpayments to farmers could be caused by (1) inaccurate data which are used to establish the national average market price, (2) procedures used to determine production for the purpose of computing program payment amounts which overstate farmers' actual production, and (3) the imprecise methods being used to calculate yields for farmers submitting evidence of actual production.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Statistical Reporting Service (SRS) to adopt procedures to improve the accuracy and validity of the national average market price by (1) avoiding the use of average prices in the prices received survey, (2) improving the accuracy of information collected, and (3) reducing nonresponse rates. Specifically, SRS should: (1) institute a system of quality control for the prices received survey as suggested by the 1980 statisticians' report, (2) convey to state statistical office enumerators the need for them to perform their job correctly and follow up to ensure that they do, (3) provide to each state a standard survey questionnaire with reporting instructions that eliminate possible reporting bias resulting from differing instructions and that clearly explain the purpose and importance of the survey, and (4) institute a follow-up program to obtain missing reports of quantities sold and amounts paid from grain buyers who were unable to provide requested data during the reported month; this would allow grain buyers more time to report accurate data and eliminate the need for using estimated average prices to compute the estimated average market price. The Secretary of Agriculture should direct the Administrator of the Agricultural Stabilization and Conservation Service (ASCS) to (1) develop an acceptable adjustment for the deficiency payment program that properly accounts for the unharvested acreage on which payments are made and (2) conduct a comprehensive analysis of the crop yield distributions to determine the extent to which program yields are inadequately assigned and develop crop yield frequency distributions for counties or similar areas to assist county committees in assigning yields to individual farms. The Secretary should direct the Administrator, ASCS, to compute proven yields using weighted averages to properly account for year-to-year changes in yield and acreage planted.

UPDATE:

The agency agreed with and is taking or plans to take action on the six elements within two of the recommendations. ASCS revised regulations to require a review of unharvested acreage to adjust yields. However, ASCS has not analyzed crop yield distributions. USDA stated that the amount of the

difference in payment shown in our report did not justify the extra administrative effort needed to compute and maintain proven yields using the weighted average formula.

4. Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program. RCED-85-62, March 11, 1985

SUMMARY:

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA) actions in providing commodities--wheat, corn, grain sorghum, rice, and cotton--to producers participating in the 1983 Payment-in-Kind (PIK) Program.

GAO found that USDA awarded 1,259 contracts to 237 contractors to exchange Commodity Credit Corporation (CCC) owned wheat, corn, and grain sorghum with corresponding contractor-owned commodities. In total, the contracts called for USDA to provide about 433.7 million bushels of these commodities to the contractors and for the contractors to provide about 377.2 million bushels to USDA for use in the 1983 PIK Program. The difference of 56.5 million bushels represents CCC's cost for the exchanges and was worth about $191.6 million if valued on the basis of average major market prices.

In 1983 PIK Program limited the production of the above five commodities by reducing the number of acres planted in these crops. To participate in the PIK Program, producers agreed to take prescribed portions of their acreage out of production and to receive as compensation from USDA a certain portion of the commodity they otherwise would have planted and harvested. For PIK, participating producers removed from production about 48 million of the approximately 212 million acres that USDA expected to be planted in the five PIK commodities. This reduction in acreage obligated USDA to provide or pay producers about 546 million bushels of wheat, 1.8 billion bushels of corn, 178 million bushels of grain sorghum, 2 billion pounds of cotton, and 4.1 billion pounds of rice.

USDA designed the PIK Program so that payments could be made from two sources--inventory owned by CCC and producer-owned commodities used as collateral for CCC loans previously made to producers. If a participating producer had one or more outstanding loans with CCC, USDA forgave part or all of the producer's loan or loans (principal and interest), and the producer retained the commodity used as loan collateral as the PIK payment. A producer who did not have an outstanding loan received a letter entitling him or her to receive CCC-owned commodities as payment.

In order to meet its payment obligations to producers, USDA needed to position, or relocate, some of the wheat, corn, and grain sorghum because the PIK Program provided that these three commodities would be made locally available to the producers. Such positioning was not needed for rice or cotton since those commodities are not necessarily marketed where they are grown and, therefore, did not have to be made available locally under the PIK guidelines. The process USDA used to position wheat, corn, and grain sorghum was to first identify counties where it owned more commodities than needed to meet its PIK payment obligations (surplus counties) and counties where it lacked sufficient commodities to meet its PIK payment obligations (deficit counties).

To provide commodities to the deficit counties, USDA devised a program to exchange CCC-owned commodities held at warehouses in surplus counties with privately owned commodities held at warehouses in or near deficit counties. According to USDA officials in charge of the exchange program, exchanging rather than physically transporting CCC-owned commodities to deficit counties enabled CCC to (1) avoid the costs and logistic problems of transporting the commodities and (2) position the commodities more quickly to meet PIK availability dates.

USDA conducted the exchange program through a series of 10 public bid invitations between May and November 1983. Recognized members of the grain industry were asked to submit bids indicating their choice of the CCC-owned inventories they would accept and, in exchange, the areas in which they would provide USDA with commodities for use in making PIK payments. The 10 bid invitations resulted in 1,259 contracts being awarded.

The total quantity of CCC-owned commodities traded in the PIK exchange program exceeded the quantity of contractor-owned commodities that CCC received. The difference between the quantity of CCC-owned grain exchanged and the contractor-owned grain received represents the cost to CCC for the contractors to execute the exchanges.

5. Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System. RCED-85-20, April 9, 1985
(See Food Marketing Section p. 147.)

6. Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985. RCED-85-118, April 24, 1985

SUMMARY:

In response to a congressional request, GAO reviewed several aspects of a proposed bill entitled the Agricultural

Efficiency and Equity Act of 1983 (H.R. 4565). A similar bill, which has been reintroduced as H.R. 1912 in this Congress (99th Cong., 1st sess.), would change the manner in which the Department of Agriculture (USDA) determines the acreage bases and yields assigned to producers under various farm programs. Acreage bases and program yields are two tools used by USDA in administering farm programs for producers of program crops--wheat, feed grains (barley, oats, corn, and grain sorghum), cotton, and rice. Base acreage and program yield determinations are key components in USDA's formula for computing the amount of payment producers receive for participating in farm programs. Essentially, base acres are the amount of land USDA recognizes that a producer historically plants to program crops. The yield is the production capacity USDA associates with a particular farm.

In requesting GAO's analysis, congressional concern was raised that USDA's administration of the Agriculture and Food Act of 1981 (the 1981 act) resulted in "inflated base acreage"--a condition in which a farm's base acreage has increased above the farm's usual planted acres, as well as "phantom acres"--a condition in which a farm's total base acreage exceeds the farm's total actual cropland.

In view of these concerns, GAO was requested to (1) identify the provisions of the 1981 act and its administration that have resulted in inflated and phantom acreage, (2) determine the extent to which the bill addresses this problem, and (3) determine what the acreage bases, program yields, and program payments would have been if the bill had been in effect instead of the 1981 farm act. In addition, GAO was asked for its views on whether other commodities besides the program crops should be included in the bill, and of the yield formula contained in the bill. Finally, GAO was asked to describe USDA's procedures covering double cropping--in which a producer plants two crops on the same acreage in the same year.

In summary, the 1981 act gives the Secretary of Agriculture discretion in establishing acreage bases for individual program crops. The Secretary's 1982 decision to establish base acreages by giving producers the highest base possible for each crop as permitted by the 1981 act has resulted in inflated acreage bases as well as phantom acres. The impact of this decision was carried forward in the 1983 and 1984 programs. The bill, with some revisions, would limit the acreage bases to reflect planted acres as well as revise the yield formula to reflect actual production and thus help eliminate phantom acres and inflated acreage bases, lower program yields, and reduce program payments.

TITLE IV -- FEED GRAINS

1. Market Structure and Pricing of U.S. Grain Export System. CED-82-61 and CED-82-61S, June 15, 1982
(See Food Marketing Section p. 144.)

2. USDA Needs Objective Criteria for Awarding Special Disaster Payments. RCED-83-54, November 2, 1982
(See Title III p. 8.)

3. Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-In-Kind Program. RCED-84-137, September 25, 1984.

SUMMARY:

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA's) acquisition, positioning, and distribution of corn, grain sorghum, wheat, rice, and cotton for the 1983 Payment-In-Kind (PIK) program to determine (1) the cost-effectiveness of USDA's commodity acquisition for PIK, (2) the efficiency with which USDA positioned commodities for distribution to participating farmers, and (3) how well USDA met its PIK obligations regarding the timeliness, quality, and location of PIK commodities.

GAO found that USDA's commodity acquisition costs would have been about $58 million less if USDA had used a unit cost basis to evaluate bids (offers from farmers with outstanding Commodity Credit Corporation (CCC) loans to sell the wheat, corn, and grain sorghum they were using as loan collateral). GAO also found that USDA's efforts to position commodities for distribution to PIK participants were hampered by changing data on the quantities of commodities needed and available in specific locations. Despite this problem, USDA generally met its obligations to PIK participants in the seven states GAO reviewed by providing commodities that were of the specified grade or quality, by the date promised, and in a location as provided by PIK guidelines. The seven states, in which GAO reviewed one commodity each, were selected on the basis of judgment and accounted for about 10 percent of the wheat; 18 percent of the corn; and 25 percent of the grain sorghum, rice, and cotton provided from CCC inventory nationwide for PIK. Because the states were selected on a judgmental basis, GAO results were not necessarily representative of all states.

Recommendation: Because comparing bids on a unit cost basis will allow USDA to acquire commodities at the lowest cost, GAO recommends that the Secretary use the unit cost approach in future acquisitions of commodities held as loan collateral.

4. Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program. RCED-85-62, March 11, 1985
(See Title III p. 10.)

5. Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System. RCED-85-20, April 9, 1985
(See Food Marketing Section p. 147.)

6. Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985. RCED-85-118, April 24, 1985
(See Title III p. 11.)

TITLE V -- COTTON

1. USDA Needs Objective Criteria for Awarding Special Disaster Payments. RCED-83-54, November 2, 1982
(See Title III p. 8.)

2. Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program. RCED-85-62, March 11, 1985
(See Title III p. 10.)

3. Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985. RCED-85-118, April 24, 1985
(See Title III p. 11.)

TITLE VI -- RICE

1. U.S. Government Actions Affecting Rice Sales to Korea. ID-83-48, May 18, 1983

SUMMARY:

In response to a congressional request, GAO reviewed the actions of government agencies concerning Japanese and commercial U.S. sales of rice to Korea.

U.S. government officials believe that the 1980 U.S.-Japan Rice Understanding achieved its purpose of limiting Japanese subsidized exports which were detrimental to U.S. rice producers and exporters. However, GAO noted that other concerned parties expressed dissatisfaction with ambiguities in the exchange of letters that constitute the understanding. Under the emergency clause of the understanding, exceptions were granted which allowed Japan to sell more than 2 million tons of rice to Korea in 1980-81. GAO found that there was no documentation evidencing who approved the exceptions or what factors were considered and no written agreement as to the future actions by the United States, Japan, and Korea regarding exceptions. Further, GAO found that difficulties and delays affected the 1981 commitment from the Korean government to purchase U.S. rice. GAO believes that any future agreements should have greater specificity. However, GAO stated that there does not appear to be a need at this time for a more formal framework among the Departments of Agriculture and State and the U.S. Trade Representative concerning actions related to the understanding.

2. Information on the Department of Agriculture's Commodity Exchange Contracts for the 1983 Payment-In-Kind Program. RCED-85-62, March 11, 1985
(See Title III p. 10.)

3. Analysis of Certain Aspects of the Proposed Agricultural Efficiency and Equity Act of 1985. RCED-85-118, April 24, 1985
(See Title III p. 11.)

TITLE VII -- PEANUTS

1. Information on Peanut Allotment Owners That Lease and Rent Away Rather Than Plant Their Peanut Allotment Quotas. CED-81-156, September 21, 1981

SUMMARY:

GAO was requested to review the extent to which peanut allotment owners lease or rent away their allotment quotas. The objectives of the review were to (1) determine the availability of certain information in records which the Department of Agriculture (USDA) maintains on the peanut program, (2) determine the validity of USDA's estimate that 70 percent of the peanuts grown in the United States are produced using leased or rented allotments and quotas, and (3) obtain information on the occupations and primary sources of income of the allotment owners who lease or rent away their allotment quotas.

GAO found that county offices of USDA's Agricultural Stabilization and Conservation Service (ASCS) maintain records on individual leases and rentals of peanut allotments; however, only those records on leases are summarized for internal agency reporting purposes. The ASCS records do not show the primary occupation or sources of income of the allotment owners. USDA's estimate that 70 percent of peanut allotment acreage planted is leased or rented is based on data obtained from a 1978 survey. The purpose of this survey was to obtain information on peanut production practices in selected growing areas. Because it was not a comprehensive study, not all peanut-producing states and counties were represented and only a small number of producers were contacted in the selected areas. Therefore, the data contained in the survey cannot be projected across the whole program. Data developed by GAO on the extent allotment leasing and renting in four selected counties indicated that a significant number of the allotment acres are leased or rented.

TITLE VIII -- SOYBEANS

1. Market Structure and Pricing of U.S. Grain Export System. CED-82-61 and CED-82-61S, June 15, 1982
(See Food Marketing Section p. 144.)

TITLE IX -- SUGAR

1. Gross and Net Income of Major U.S. Sugar Cane and Beet Producers. CED-81-113, May 29, 1981

SUMMARY:

GAO was asked to report on the gross and net incomes of the nation's major sugar cane and sugar beet producers from annual public reports and financial statements for 1978-81. GAO was to report on only those companies that grow and process sugar cane or sugar beets. GAO limited its work to major corporations that are required to file annual reports with the Securities and Exchange Commission and did not attempt to obtain 1981 data because the companies had not yet filed annual financial statements for 1981.

GAO obtained information on three sugar cane and three sugar beet producers that accounted for approximately 39 percent of the raw value of the U.S. domestic sugar production. All of the companies are diversified by product. The companies are also involved in other business lines such as corn sweeteners, cattle, and real estate. Therefore, the revenues and net income figures do not necessarily represent profitability from the growing and processing of cane or beet sugar. In 1980, the six firms had a revenue of $4,399,473,000 and a net income of $233,910,000. In 1979, they had a revenue of $3,591,300,000 and a net income of $129,946,000. In 1978, they had a revenue of $3,176,124,000 and a net income of $92,239,000.

2. U.S. Sweetener/Sugar Issues and Concerns. RCED-85-19, November 15, 1984.

SUMMARY:

GAO provided information on issues affecting the sugar industry. GAO found that (1) domestic consumption of sugar declined from 103 pounds per capita in 1972 to 71 pounds per capita in 1983, (2) consumption of sugar as a percentage of domestic sweetener consumption fell from 79 percent to 53 percent during the same period, and (3) while domestic sugarcane production has remained relatively stable since 1975, domestic sugar beet production and production capacity have declined. GAO also found that (1) the U.S. role as a sugar importer has important economic effects on sugar-producing countries, (2) a recent initiative to provide assistance to the Caribbean region will benefit Caribbean sugar producers by giving duty-free status to sugar imported from that region, and (3) the International Sugar Agreement, which was intended to promote stability in world sugar prices, has not been effective, primarily because the countries of the European Economic Community are not parties to the agreement. In addition, GAO found

that (1) representatives of sugar-producing and sugar consuming industries have different views on the optimum structure for a sugar price-support program, (2) without a price-support program, the United States would become more dependent on imported sugar, (3) retaining a price-support program would involve costs to domestic consumers as a subsidy to sugar producers, (4) the sugar price-support program indirectly benefits other parts of the sweetener industry by encouraging the use of sugar substitutes, and (5) international considerations must be taken into account in determining the eventual direction of U.S. sugar policy.

TITLE X -- GRAIN RESERVES AND NATIONAL AGRICULTURAL COST OF PRODUCTION STANDARDS REVIEW BOARD

1. Federal Role in Developing Grain Subterminals Should Be Coordinated by USDA. CED-81-101, May 14, 1981

SUMMARY:

In response to a congressional request, GAO reviewed selected activities on the development of subterminals (large transient grain storage installations). The review was concentrated in states with significant grain production, available information, and the potential for subterminal development and improvement. The GAO objective was to gain an understanding of subterminal development benefits, obstacles, and potential.

Farmers have benefited from subterminals in two ways: they receive higher prices for their grain, and they are able to sell more grain when prices rise. Elevators that have become subterminals as a result of the construction of new, larger facilities or the upgrading of existing ones have benefited by significantly increasing their grain volume. The larger volumes reduce handling costs by spreading fixed costs over larger grain volumes. Subterminals generally have lower variable costs than older grain elevators and pay less for transportation due to lower multiple-car and unit-train rates. Railroads have benefited from subterminals by becoming more price competitive with barges and trucks through the cost efficiencies of multiple-car and unit-train shipments, thus softening the decline in the railroads' market share of grain shipments. In addition, the faster turnaround times of multiple-car and unit-train shipments have enabled railroads to haul more grain with the existing fleet of rail cars. The potential exists for further development of subterminals since their operations are more adaptable to high-yield-per-acre crops. They may also be feasible for lower yielding crops-per-acre in certain circumstances. Problems involving subterminals which adversely affect their operations and future development include: failure of some railroads to offer multiple-car and unit-train rates, over-development, and port congestion. Legislation enacted in 1980 authorizes planning grants for developing state and regional subterminal facilities plans and insured construction loans.

Recommendations: The Secretary of Agriculture should establish in the Department of Agriculture (USDA) a focal point to oversee federal subterminal planning and construction activities. Potential borrowers/grantees can then contact such a focal point for obtaining USDA subterminal planning, construction, and improvement funds as well as learn the sources of all other federal programs that can provide funding for subterminal development. This focal point should be publicized by contacting state departments of transportation

and agriculture officials and researchers, state grain and feed dealers associations, and other agricultural associations.

UPDATE:

USDA concurred in the recommendation but funds have not been appropriated for the Agriculture Subterminal Facilities Act to implement its plans.

2. Farmer-Owned Grain Reserve Program Needs Modification to Improve Effectiveness. CED-81-70, June 26, 1981

SUMMARY:

The farmer-owned grain reserve, authorized by the Food and Agriculture Act of 1977, is to encourage producers to store wheat and feed grains when they are in abundant supply and extend the time for their orderly marketing.

GAO and its consultants found that, during its first 2 to 3 years, the farmer-owned reserve (FOR) only partially met its objectives of increasing grain inventories in times of abundant supply, removing the government from the role of grain storer and reducing price variability. Some reserve grain is of questionable quality, and storage payments have exceeded storage costs. As of March 18, 1981, the reserve contained about 1.22 billion bushels of wheat, corn, and other grains. The value of outstanding loans on these reserve grains was about $2.9 billion. The reserve grain cannot be sold without penalty until predetermined market price levels are reached. At release, producers may, but do not have to, remove the grain from the reserve. At call, producers must repay their loans or forfeit the grain. Most reserve grain would have been held in private stocks without the reserve. Although the reserve initially succeeded in ensuring producer ownership of reserve stocks, the government now holds grain purchased in reaction to the Russian grain embargo. Program modifications are needed to improve the program's effectiveness. Producers had been allowed to retain unearned storage payments for an unreasonable period of time when the redemption period was extended. Program regulations have been amended to provide that interest be charged immediately following the maturity date or the originally required settlement date.

Recommendations: The Secretary of Agriculture should provide for methodical program adjustments in response to a broad range of potential market and political developments to allow decision makers in grain and related industries to anticipate such changes and adjustments, while still allowing for some flexibility. The Secretary of Agriculture should study the feasibility of other farmer-owned reserve program modifications and, if they provide remedies to the problems that were found, incorporate them into the program. The

Secretary of Agriculture should evaluate the effectiveness of the FOR to serve as a basis for the Congress to use in making future grain policy decisions. The Secretary of Agriculture should require the Agricultural Stabilization and Conservation Service (ASCS) to obtain official grade determinations, on a sample basis, as grain enters the FOR and on the same grain each subsequent year (where possible) to develop a profile of FOR grain and determine what characteristics are predictors of storability. In addition, ASCS should improve its guidelines and procedures for identifying grain with quality problems serving as loan collateral and correcting or eliminating quality problems identified. The Secretary of Agriculture should determine the average cost of FOR grain storage and limit producer storage payments to this amount. In determining the average cost of FOR grain storage, both onfarm and warehouse storage costs should be considered. The Secretary of Agriculture should amend program regulations to make them consistent with ASCS procedures which provide that storage earnings stop in all cases when a grain reaches call status.

UPDATE:

The Department of Agriculture (USDA) is no longer required to set storage payments on the basis of the average cost to store the commodities. USDA stated that to develop a profile for FOR stored grain would require an effort of considerable magnitude with a promise of negligible payoff.

USDA generally agreed with the GAO conclusions and said that it was reviewing all aspects of the farmer-owned reserve. It stated that it would work with the Congress to provide a workable and cost-effective program.

3. Grain Fumigation: A Multifaceted Issue Needing Coordinated Attention. CED-81-152, September 10, 1981

SUMMARY:

Despite many years of using fumigants to eradicate insect pests from grain and grain products and despite the involvement of many government agencies in various facets of this activity, fumigant problems remain and much still needs to be learned about fumigants and their effects on vegetation, pests, and humans. A number of fumigant-related problems were identified by GAO, including the federal government's fragmented involvement in this area.

The work done by GAO disclosed that (1) grain workers are exposed to potentially unsafe fumigant levels, (2) workers' concerns about health as a result of fumigant exposure have strained relations between some company and union officials and among other parties involved in shipping, handling, and storing grain, (3) potentially harmful fumigant residue has been found in some food products, and (4) a need exists for

more knowledge about fumigants and their effects to either reduce current unwarranted anxiety levels or result in documented support for stronger, future precautionary measures. GAO further pointed out that the federal approach to the subject is fragmented; each agency often works independently without any one agency having a good overview of all that is going on. As a result, work may be duplicated among agencies, and lines of responsibility are not always clear. GAO believed that the Interagency Regulatory Liaison Group, established to allow participating agencies to work closely together on topics that cross agency lines, was a proper forum to bring various agencies together and provide the overseer role that was needed.

Recommendations: The Interagency Regulatory Liaison Group should (1) accept grain fumigation as a topic for its consideration, (2) assume the role of overseer of the fumigation area and publicize this role to its participating agencies and others, and (3) address the problems discussed and any related issues.

UPDATE:

The interagency memorandum of understanding which established the Interagency Regulatory Liaison Group, was not renewed in late September 1981, thus disbanding this group.

4. New or Renovated Warehouse Space Provided Under Extended Storage Agreements. RCED-84-49, October 14, 1983

SUMMARY:

In response to a congressional request, GAO obtained information on the Commodity Credit Corporation's (CCC's) extended storage program, which is designed to provide long-term storage space for CCC commodities at reasonable rates.

GAO reviewed 40 of 252 warehouses that had agreed to provide such space. The additional storage space which had been contracted for had been provided by 39 of the 40 warehouses. Of these, 14 were selected for visitation and verification that the new or renovated space was built. GAO verified that the warehouses had complied with their agreements and stated that these findings were representative of those warehouses throughout the country that had agreed to construct new space or renovate existing space.

TITLE XI -- MISCELLANEOUS

Miscellaneous Commodity Provisions:

1. Tobacco Program's Production Rights and Effects on Competition. CED-82-70, April 23, 1982

SUMMARY:

Pursuant to a congressional request, GAO reviewed certain aspects of the Agricultural Stabilization and Conservation Service's (ASCS's) flue-cured and burley tobacco programs to determine (1) by occupation or source of income, the owners of tobacco allotments and quotas that are leased or rented, (2) the amounts and average costs of the leased or rented allotments and quotas, (3) the program's long-term effects on the competitiveness of U.S.-grown tobacco and on farmers' income, (4) the potential for averting future loan program costs by authorizing the Secretary of the Department of Agriculture (USDA) to adjust price-support levels for the various kinds of tobacco, and (5) the amount of the tobacco that warehouses market as floor sweepings.

In the six areas and regions studied, farmers who grow tobacco, the program's intended beneficiaries, owned only 40 percent of the farms with allotments and marketing quotas. Of the owners, about 26 percent rented and 42 percent leased their allotments and quotas to others. Prices for leases ranged from 25 to 80 cents a pound for flue-cured tobacco and from 25 to 90 cents a pound for burley tobacco. USDA estimated that the 1981 share-rental rates averaged 39 cents a pound for flue-cured tobacco and 51 cents a pound for burley tobacco. When leasing was first authorized in 1961, USDA estimated that about 2 percent of the tobacco allotment and quota owners would lease the rights to others. By 1981, about 57 percent of the quota owners in flue-cured tobacco-producing areas and 27 percent of the quota owners in the burley tobacco-producing areas had leased their rights. The legislated price-support formula, which establishes minimum prices for U.S. tobacco, has increased the price of U.S. tobacco without regard for changes in production costs and competing countries' prices, making U.S. tobacco less competitive in both U.S. and world markets. Authority for the Secretary of Agriculture to adjust the price-support levels for various kinds of tobacco could help make U.S. tobacco more competitive and curtail the amounts of low-quality tobacco coming under government loan. Large losses have been incurred through Commodity Credit Corporation (CCC) interest repayment practices and the fact that, before April 1981, CCC made loans at below-market interest rates.

2. Changes Are Needed to Assure Accurate and Valid Wheat Deficiency Payments. RCED-83-50, March 29, 1983
(See Title III p. 8.)

3. Department of Agriculture's Payment-In-Kind Program. November 3, 1983. Testimony before the House Committee on Ways and Means: Select Revenue Measures Subcommittee.

SUMMARY:

In response to a congressional request, testimony was given concerning the Department of Agriculture's (USDA's) Payment-In-Kind (PIK) Program for 1983. Since 1980, record harvests and decreased domestic and foreign demand have resulted in low commodity prices, decreased farm incomes, and a large buildup of government-held food stocks. USDA increased its farm program payments fourfold between 1980 and 1982, and potential payments for 1983 were estimated at seven times those of 1980.

GAO was asked to estimate the cost of the 1983 PIK Program, identify farms that would receive large PIK payments, and review the reasonableness of the USDA-estimated budget savings attributable to the program. The 1983 PIK Program will cost between $10 and $11 billion. However, final cost data will not be available until after March 1984. In a survey of large PIK payments to 708 farms in nine states, GAO found that 35 will receive commodities valued at over $500,000 each, including seven farms that will receive commodities valued at more than $2 million each. Because there will not be a 1984 PIK program for corn and grain sorghum, USDA will have to revise its estimates that the 1983 and 1984 PIK Programs would result in $14.9 billion savings in farm program outlays for the 4-year period ending in 1986. Furthermore, budget savings on farm programs for a 4-year period are very difficult to project because of program changes and the uncertainties surrounding the agricultural sector. If the same set of assumptions had been used by USDA to compare the PIK Program with a non-PIK program, the savings attributable to the PIK Program would be less.

4. Cost Information on the USDA Tobacco Program. RCED-84-33, December 12, 1983

SUMMARY:

Pursuant to a congressional request, GAO obtained cost information on the Department of Agriculture's (USDA's) tobacco price-support program. Specifically, GAO was asked to identify (1) the costs of the tobacco program prior to passage of the No Net Cost Tobacco Program Act of 1982, (2) the costs that have accrued on the 1982 flue-cured and burley crops, and (3) whether the assessment program is adequate to ensure that the program is carried out at no cost to the government.

GAO found that (1) tobacco loans made since 1938 had totaled about $5 billion, of which over $58 million had not been recovered and (2) accrued carrying and interest costs on crop year 1982 flue-cured and burley tobacco totaled about

$168.7 million. The act requires producers to pay an assessment that is deposited into a fund to ensure that the government sustains no net losses after the tobacco has been sold. However, since the volume of 1982 crop year tobacco coming under loan was higher than originally projected, USDA concluded that the 1982 crop assessment was inadequate. USDA estimated that additional funds are needed to recover the program's costs. GAO noted that USDA plans to collect the shortages through increased assessments on subsequent crops.

5. Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-In-Kind Program. RCED-84-137, September 25, 1984
(See Title IV p. 13.)

6. Department of Agriculture Is Using Improved Payment Procedures for Its 1984 Farm Programs. RCED-84-159, August 6, 1984.

SUMMARY:

In response to a congressional request, GAO examined whether (1) the Department of Agriculture (USDA) procedures for 1983 farm programs allow a farmer to receive payments on the basis of the average yields of land rather than on the yield of the land actually set aside, (2) individual farmers received payments beyond the production capability of the land actually set aside, and (3) there are any cost-effective administrative remedies available to USDA which would preclude farm payments that do not reflect the actual yield capability of the land set aside.

GAO found that USDA procedures allow farmers to receive program payments for corn, wheat, and sorghum on the basis of average yields of land. In addition, some lower yielding dry land which is set aside receives payment on the basis of higher yielding irrigated land. With respect to rice and cotton crops, payments are based on historical yields. Overall, farmers receive payments for corn, wheat, and sorghum based on average and irrigated crop yields that would have been lower if the payments were based on the expected yield of the land actually set aside. USDA could have lowered its payment amounts; however, GAO did find instances where payments to individual farmers would have been larger if based on land actually set aside. This occurred when farmers chose to set aside higher yielding irrigable land but were paid on the basis of lower yielding dry land. GAO found that there are administrative remedies available to USDA and that USDA has already taken remedial action to prevent future payments on the basis of average or irrigated yields. The revised procedures will make use of existing data and procedures already available at the county level so that no significant amount of additional work or costs are involved. In view of this, GAO believes that the USDA action will be cost-effective.

General Provisions:

1. Further Federal Action Needed to Detect and Control Environmental Contamination of Food. CED-81-19, December 31, 1980
(See Food Safety and Inspection Section p. 152.)

2. Increase in Hourly Rate Charged by Department of Agriculture for Resident Inspectors at Egg Processing Plants. CED-81-82, March 11, 1981
(See Food Safety and Inspection Section p. 153.)

3. Weak Management in Animal Disease Control Program Results in Large Economic Losses. CED-81-96, June 24, 1981
(See Food Safety and Inspection Section p. 154.)

4. More Can Be Done to Improve the Department of Agriculture's Commodity Donation Program. CED-81-83, July 9, 1981

SUMMARY:

In fiscal year 1980, state and local programs to feed students, the elderly, needy families, and others received over $900 million worth of food through the Department of Agriculture's (USDA's) commodity donation program. About 90 percent of the donated food was for the school lunch program administered by the Food and Nutrition Service (FNS). Two other USDA agencies provide the commodities.

USDA has not fully and accurately determined users' commodity needs, and states order commodities without determining user needs or preferences. GAO recognizes the difficulty of balancing the program objective of purchasing commodities for surplus removal and price support with the objective of purchasing commodities that user agencies prefer and need. However, GAO believes that improvements can be made. At times, commodities are received too late for use or without advance notice. Occasionally, recipients have to purchase food items locally which they would normally receive through the program. USDA allows states to restrict the mode of transportation to truck or rail, which can result in excessive transportation charges. USDA should consider increased use of the free-on-board (FOB) destination basis for procurement. It has been suggested that the commodity donation program be replaced with a cash or letter-of-credit voucher system. This would allow recipient agencies to purchase desired food items locally using cash or credit vouchers provided by USDA. Opponents fear a possible increase in opportunities for fraud and abuse and program costs, and a lessening of market surplus response capability. Because Public Law 96-528 mandated a 3-year study by USDA, GAO made no recommendations on this matter.

Recommendations: The Secretary of Agriculture should evaluate the potential and actual effects of the USDA section 32 commodity purchases on the market prices and quantities available.

The Secretary of Agriculture should (1) establish specific procedures and a required reporting format to ensure that school districts' views on commodity preferences and needs are fully, accurately, and uniformly reflected in reports sent to state educational agencies by the state food distribution advisory councils, (2) specifically show in the annual purchase plan how user needs and preferences affect the amount of funds that may be spent on commodity purchases: analyses should be included showing the weights given such factors as commodity availability, market prices, and fund availability, and (3) require state distributing agencies to order commodities for recipient agencies on the basis of demonstrated use and need rather than judgment and personal opinion.

The Secretary of Agriculture should revise appropriate program regulations to require the FNS to develop a formal monitoring system setting forth data to be maintained by state distributing and recipient agencies, how the data should be analyzed, and who is responsible for the analyses.

The Secretary of Agriculture should require that all recipient agencies maintain perpetual book inventories; take periodic physical inventories and submit the results to the state along with copies of the source documents used; explain any differences between physical inventory counts and perpetual inventory balances; and develop and report monthly to state distributing agencies data showing, at a minimum, (1) beginning inventory, (2) commodities received during the month, (3) commodities used during the month, (4) ending inventory, and (5) the value of commodities used per meal prepared.

The Secretary of Agriculture should direct the FNS to develop a monitoring plan to be followed by state distributing agencies in monitoring commodity inventory levels at recipient agencies. The plan should require that, at a minimum, the state agencies (1) analyze monthly inventory reports submitted by the recipient agencies to identify excess and/or low inventory levels, poor inventory controls, and ineffective use of commodities, (2) identify causes of the problems, recommend positive action to alleviate them, and follow up to determine that corrective action is taken, and (3) visit a specified number of recipient agencies each year to take a physical inventory and review inventory control procedures.

The Secretary of Agriculture should direct the FNS to fully evaluate commodity inventory levels at the state distributing agencies by developing a monitoring plan that (1) requires states to report commodity inventory levels, by program, in state-owned or -leased storage facilities, (2) identifies the monitoring responsibilities of FNS headquarters and its regional offices, (3) specifies how those involved in monitoring should analyze the state inventory data and establishes reasonable time frames for completing the

analyses, and (4) specifies actions to be taken when FNS identifies problems with untimely, inaccurate, or incomplete reporting; excessive inventories; or lack of adequate inventory controls.

The Secretary of Agriculture should direct the FNS to require that states develop procedures for distributing commodities to recipient agencies on the basis of reported needs rather than allocating commodities based on the number of meals served.

The Secretary of Agriculture should (1) revise USDA procedures to require that shippers provide specific written documentation regarding their inability to supply needed transportation and dates when the vendor requested transportation, (2) emphasize to the Agricultural Stabilization and Conservation Service the need to completely review vendor appeal cases and to sufficiently document its actions, (3) monitor FNS regional office efforts in getting states to adopt greater flexibility in the way they take delivery on commodities and, if necessary, require states to annually update their delivery capabilities, and (4) monitor the FOB-destination procurement of fruits and vegetables for the needy family program and, where cost-justified, expand such procurement of fruits and vegetables to other programs receiving donated commodities.

UPDATE:

USDA has taken action on most of the recommendations. Also, USDA is working with state agencies to ensure that, not only is reporting more formalized, but that an understanding is reached as to the importance of recordkeeping. It is developing a computerized inventory control system for use at the state agency level. USDA is working on the problems associated with monitoring FOB-destination procurement of fruits and vegetables for needy people and inventory problems.

USDA has revised its monitoring handbook to provide better guidance on proper monitoring of recipient agencies, inventory levels, and processes. Because of this change, program regulations do not need to be revised.

5. Improving Sanitation and Federal Inspection at Slaughter Plants: How to Get Better Results for the Inspection Dollar. CED-81-118, July 30, 1981
(See Food Safety and Inspection Section p. 155.)

6. Repayment of Overpaid Cash-in-Lieu-of-Commodities Funds to Louisiana Youth Talent Promotion, Inc. CED-82-8, October 14, 1981

SUMMARY:

Pursuant to a congressional request, GAO examined the circumstances, status, and the equity of a repayment plan to recover overpayments made to a sponsor of the Child Care Food Program in Louisiana. During fiscal years 1977-79, the sponsor had received excess cash-in-lieu-of-commodity payments which were subsequently being collected by the Louisiana Department of Education as monthly deductions.

Following an earlier GAO report (CED-80-91, June 6, 1980) in which overpayments in the Child Care Food Program were discussed, the Food and Nutrition Service determined that the Louisiana Department of Education had overpaid program sponsors in the form of cash-in-lieu-of-commodity payments. Early in 1981, after overpayment collections began, one of the sponsors requested to have its monthly deductions set at a lower amount. The Department of Education lowered the deduction to an amount that it believed was equitable, considering the total amount overpaid and the monthly reimbursement amounts. Food and Nutrition Service officials stated that the Department of Education was being very reasonable in this case in that it was making monthly deductions to help ease the repayment burden of the sponsor. GAO could see no basis upon which to question the actions taken.

7. Better Collection and Maintenance Procedures Needed to Help Protect Agriculture's Germplasm Resources. CED-82-7, December 4, 1981
(See Title XIV p. 90.)

8. Regulation of Cancer-Causing Food Additives--Time for A Change. HRD-82-3, December 11, 1981
(See Food Safety and Inspection Section p. 158.)

9. Changes Underway to Correct Inadequacies in Florida's Meat and Poultry Inspection Program. RCED-83-70, December 30, 1982
(See Food Safety and Inspection Section p. 158.)

10. Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed. RCED-83-68, May 4, 1983
(See Food Safety and Inspection Section p. 160.)

11. Improved Management of Import Meat Inspection Program Needed. RCED-83-81, June 15, 1983

SUMMARY:

GAO reviewed the Department of Agriculture's administration of its import meat and poultry inspection program.

GAO found that, at the 10 highest volume ports where variances in the quantities of meat rejected ranged from 0.1

to 1.5 percent, procedures for controlling, sampling, and inspecting meat products differed because of (1) regulations and instructions which were generally outdated, unclear, and inconsistent, (2) a lack of adequate supervision and training of inspection personnel, and (3) workload imbalance. The Automated Import Information System compiles inspection-result histories for countries and foreign plants. These histories are the basis for assigning the scope and extent of inspections for each lot of product offered for entry. GAO found that, in some ways, regulations and instructions did not conform with the system's revised procedures. Also, GAO and Food Safety and Inspection Service officials found that many inspectors cited the need for periodic training and better communication between inspectors from different ports as a way of standardizing inspections. Regarding the conditions of foreign plants, GAO said that despite the apparent improvement in plant conditions since its prior 1972 review, program changes are needed to better ensure that products are imported only from countries and plants meeting U.S. requirements. Recognizing the need for increased attention to foreign programs' regulatory comparability, the Service is developing a new systems approach for approving and monitoring foreign inspection systems. GAO believes that the new system should improve the Service's ability to assess these risks.

Recommendations: The Secretary of Agriculture should direct the Food Safety and Inspection Service (FSIS) Administrator to revise the meat and poultry inspection regulations, manual, and other written instructions to provide clear, concise, and up-to-date guidance on the procedures import inspectors are to use in controlling, sampling, and inspecting products offered for entry. In making these revisions, FSIS needs to take action to (1) develop criteria for distinguishing among minor, major, and critical defects in canned and packaged meat products, (2) authorize, through regulations, skip-lot sampling procedures (inspecting only selected lots) for boneless manufacturing meat, (3) prescribe the procedures for inspectors to use in handling skip lots, (4) prescribe procedures for adequately and consistently controlling import meat products and inspection samples, (5) provide guidance to inspectors on the correct procedures for selecting samples shipped in combination bins, (6) establish new sampling techniques for wholesale cuts and carcasses which do not limit inspection to a predetermined portion of the product for major and critical defects, and (7) emphasize to import inspectors that foreign inspection certificates be prepared in accordance with prescribed procedures.

The Secretary of Agriculture should direct the FSIS Administrator to (1) require that all inspection personnel be provided periodic refresher training and establish a structured on-the-job training program, (2) assign an inspector-in-charge to all major ports, with appropriate written

descriptions of responsibilities and duties, including supervisory reviews of case files, and (3) develop work measurement standards to use in ensuring that ports are adequately staffed by full-time and/or temporary inspectors.

The Secretary of Agriculture should direct the FSIS Administrator to (1) revise the meat and poultry inspection manual to specify the procedures foreign program officers are to follow in reviewing plants, (2) develop more uniform and objective criteria for use in reviewing and rating foreign plants, (3) revise the foreign plant review form to better ensure that complete and consistent plants reviews are made and to better identify problems for future followup, (4) emphasize to foreign inspection system officials that they are responsible for identifying and correcting deficiencies and, if warranted, delisting plants and request that they advise FSIS of the reason(s) for each delistment, and (5) develop a more systematic and objective way of compiling the results of plant reviews, using a statistically selected sample of plants as a basis for apprising management of the overall effectiveness of foreign inspection systems in ensuring compliance with U.S. requirements. Regarding the sampling of plants, GAO said that periodic reviews of plants outside the sample should be made as necessary--at least annually for large exporters and other special interest plants--considering such factors as volume of exports and rejections at U.S. ports.

UPDATE:

Although the Department of Agriculture's Food Safety and Inspection Service was still in the process of developing revised procedures called for by the recommendations, as of October 1984, it had completed actions on most of the recommendations directed at improving inspection of and control over imported products and the training of inspection personnel.

12. Public and Private Efforts To Feed America's Poor. RCED-83-164, June 23, 1983

SUMMARY:

In response to a congressional request, GAO provided information on (1) the nation's economic climate and its impact on food assistance needs, (2) some of the efforts occurring at federal, state, local, and private levels to meet these needs, including the channeling of surplus food to the poor and hungry, and (3) some of the impediments which inhibit a more effective and efficient food assistance system.

The United States has been experiencing the most serious economic downturn since the Great Depression of the 1930's.

Unemployment rates throughout the country have been at their highest levels in decades. During this period, the number of Americans seeking food assistance from a variety of sources has increased and is of concern to many who are involved in providing food assistance to the needy.

GAO noted that an accurate assessment of the extent of U.S. hunger and malnutrition does not exist. However, significant increases in the numbers of people seeking food assistance during the past few years have been reported. The task of providing food assistance to the nation's poor is one which is shared by federal, state, and local governments and the private sector. The funding levels of federal food programs have increased at an average annual rate of 26 percent since 1969, and some fear exists that fiscal restraint is having a serious impact on the poor. The private sector has increased its share of food assistance by establishing many new emergency food centers and expanding older ones. In recent years, new federal and state laws have encouraged, through financial incentives and reduced liability, greater involvement by the food industry in helping to meet the food needs of the poor. Many of the 33 emergency food centers GAO visited reported a need for more funds and problems regarding (1) insufficient transportation, equipment, and fuel, (2) inadequate storage space, and (3) a need for more staff. The food centers have also been experiencing a lack of coordination and a need for greater quantities and varieties of food in the Department of Agriculture's special cheese and butter distribution program. Finally, GAO found that no analysis has been made of the federal food programs' overall effectiveness, the amount of food wasted annually, or the relationship between the federal and private networks of food programs.

13. Implementation of Section 191 of the Omnibus Budget Reconciliation Act of 1982. RCED-83-190, July 8, 1983

SUMMARY:

In response to a congressional request, GAO reviewed the implementation of a section of the Omnibus Budget Reconciliation Act of 1982 which recommends that federal agencies take steps to distribute surplus food to hungry people and that state and local governments enact donor liability laws to encourage private cooperative efforts to provide food for the hungry as quickly as possible.

GAO found that, generally, agency officials were unaware of the provisions of the legislation. However, even before the enactment of the section, a number of federal agencies had taken steps to distribute surplus food. Forty-six states have enacted donor liability laws that encourage private cooperative efforts to feed the hungry. Of the four states that do not have such legislation, one is considering it.

GAO believes that the question of whether there is a need for updated estimates of food waste in the United States warrants further examination because such updated estimates could increase awareness of the food waste problem and, perhaps, result in identifying more ways in which the food needs of the poor might be met through the use of edible food that would otherwise be discarded.

14. Monitoring and Enforcing Food Safety--An Overview of Past Studies. RCED-83-153, September 9, 1983
(See Food Safety and Inspection Section p. 162.)

15. USDA's Oversight of State Meat and Poultry Inspection Programs Could Be Strengthened. RCED-84-23, October 21, 1983
(See Food Safety and Inspection Section p. 163.)

TITLE XII -- AGRICULTURAL EXPORTS AND PUBLIC LAW 480

General Export Provisions:

1. Promoting Agricultural Exports to Latin America. ID-81-5, December 11, 1980

SUMMARY:

The Department of Agriculture's Foreign Agricultural Service (FAS) uses relatively little of its resources to promote agricultural exports to Latin America. Additional promotion efforts could assist in tapping the potential of the market.

GAO found that FAS has promoted exports to Latin America primarily through (1) market development activities carried out by service organizations, (2) periodic FAS-sponsored activities, such as trade fairs, product displays, and sales team visits, and (3) Commodity Credit Corporation and Public Law 480 financing assistance in selected countries. Despite market limitations, export opportunities exist in Latin America. To assure optimal use of export promotion resources, FAS should be able to compare export opportunities in one country or geographical region, such as Latin America, with opportunities in other world markets. Presently, it does not allocate its resources this way. Instead, FAS relies heavily on private trade organizations and its judgments, based on past export performance, to decide where and how FAS export promotion resources will be used without any assurance that Latin American markets have been adequately considered. Recognizing the need for a more systematic approach to guide marketing resource allocation, FAS has initiated a strategic planning process. However, FAS needs to strengthen its resource allocation system to assure that export markets in Latin America and elsewhere are receiving promotional attention commensurate with export sales opportunities. The strategic planning process, while a step in the right direction, needed to be accelerated.

2. Suspension of Grain Sales to Soviet Union: Monitoring Difficult--Shortfall Substantially Offset. C-CED-81-1, March 3, 1981.

SUMMARY:

On January 4, 1980, the President announced the suspension of grain shipments to the Soviet Union in excess of the 8 million metric tons of wheat and corn which the United States was committed to export by the U.S.-U.S.S.R. Grain Supply agreement. The suspension was directed at the Soviet Union's important feed and livestock sector; improved domestic availability of meat, milk, and eggs has been a major goal of

Soviet planners. The Administration estimated that the suspension would have a substantial adverse impact on Soviet feed usage, numbers of livestock, and meat consumption.

In the 1979-80 marketing year, the Soviet Union was able to substantially offset the suspension's impact by increasing grain imports from other countries; drawing down its carryover grain stocks; increasing imports of non-U.S. soybeans, soybean products, and substitute feeds; and increasing meat imports. It may have received some U.S. grain as a result of unauthorized transshipments through Northern European ports. Although the federal government has set up a monitoring program to identify illegal grain shipments to the Soviet Union, it is not feasible to closely monitor for possible unauthorized transshipments because of the interchangeability of grain, the relatively widespread availability of transshipment facilities, and limitations in staff resources and U.S. legal jurisdiction. The Department of Agriculture (USDA) estimates that the Soviet Union will import an amount of grain equal to its maximum import capabilities during the 1980-81 marketing year. Thus, USDA believes that any decrease in livestock feed usage or meat consumption will be the result of a poor Soviet grain harvest in the 1979-80 marketing year and low carryover grain stocks. Since GAO recognized that the suspension was imposed for foreign policy and national security reasons, it had no comment on the continuation of the suspension.

3. Lessons to Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension. CED-81-110, July 27, 1981

SUMMARY:

On January 4, 1980, the President announced that, for foreign policy and national security reasons, the federal government was suspending the shipment of about 18 million metric tons of agricultural commodities to the Soviet Union. The President directed the Department of Agriculture (USDA) to take actions to offset the suspension's impact on farmers. These offsetting actions, most of which were concerned with stabilizing market prices, included removing the suspended grain from the market by increasing the wheat and corn price-support loan rates, adjusting the farmer-owned reserve program, purchasing grain directly from farmers and county grain elevators, and purchasing exporters' undeliverable grain contracts with the Soviet Union.

Because of the short time between the decision to suspend shipments and the suspension's announcement, USDA was not able to analyze thoroughly the suspension's potential impact and to develop a comprehensive plan of offsetting actions. The lack of adequate planning caused USDA to (1) erroneously anticipate that the farmer-owned reserve would efficiently remove the undeliverable grain, (2) purchase the exporters' Soviet contracts valued at about $2.4 billion with little documentation

that such purchase was necessary, and (3) implement inefficiently the offsetting actions. Since any future suspension of the export of agricultural commodities may have a severe effect on the grain production and marketing industries, it is important that the potential effects of the various actions that could be taken to offset the potential impact of any further suspensions be identified and analyzed. USDA's purchase and resale of the exporters' Soviet contracts and its purchase of corn and wheat from farmers were implemented in a manner which led to federal losses or increased federal costs. A government monitoring program set up to identify illegal shipments to the Soviet Union was reasonably successful in identifying and/or discouraging direct shipments from U.S. ports to the Soviet Union. However, it was not feasible to closely monitor for possible unauthorized transshipments. The Soviet Union was able to substantially offset the suspension's impact by increasing imports from other countries and drawing down its reserves.

Recommendations: The Secretary of Agriculture should develop and keep current a contingency plan that would include (1) an assessment of whether existing farm programs are flexible enough to efficiently and effectively offset the impact of a grain sales suspension on farmers, (2) an evaluation of the types and availability of data needed to determine on short notice the extent and severity of a suspension's impact on farmers, grain elevators, grain transporters, and exporters, and (3) an analysis of the extent, if any, to which the impact on each of the agricultural sectors should be offset. The Secretary of Agriculture should, after assessing existing farm programs, develop and submit to Congress any legislative recommendations for modifying existing programs or instituting new programs that the Secretary finds are necessary in developing a contingency plan. If the Commodity Credit Corporation (CCC) again considers purchasing exporters' contracts to offset the impact of any future suspensions, the Secretary of Agriculture should direct it to (1) prepare an economic justification for each commodity involved in the suspension to determine if such purchase is necessary and (2) estimate any suspension-related benefits and detrimental effects to the exporters and use both estimates in determining the extent of federal assistance needed. If the CCC again considers open-market purchases as an offsetting action, the Secretary of Agriculture should direct it to purchase only the types and grades of commodities suspended from shipment and to make such purchases at prices within a reasonable amount of the existing market price.

UPDATE:

The Congress passed section 1205 of the Agriculture and Food Act of 1981 which incorporates all of the recommendations. Although the agency has been required by law, since 1981, to act, it has not done so.

USDA is opposed to the development of a grain suspension contingency plan. It agreed that, if a direct purchase is contemplated, an economic justification statement should be prepared on each commodity to determine if the purchase is necessary and that both beneficial and detrimental effects should be considered before providing federal assistance to exporters.

4. Importance and Impact of Federal Alcohol Fuel Tax Incentives. RCED-84-1, June 4, 1984

SUMMARY:

GAO discussed issues related to the federal alcohol fuel tax incentives. Specifically, GAO addressed the importance of federal tax incentives to the ethanol industry and the impact of the production of ethanol on agriculture, the federal budget, international trade, national energy security, and other energy industries.

GAO found that federal tax incentives have been vital to the establishment and development of the domestic fuel ethanol industry and, without a subsidy, ethanol could not compete with current gasoline prices and would not be used as a fuel. GAO determined that the ethanol industry has had only a modest impact on the domestic economy, international trade balance, and national energy security. Stockpiling ethanol fuel could reduce U.S. vulnerability to an oil supply disruption. However, GAO questioned the cost-effectiveness of stockpiling ethanol fuel. In addition, GAO found that the total value of tax subsidies received by conventional oil and gas industries has historically been much greater than that received by the fuel ethanol industry and other alternative energy sources. Since the conventional fuel industries benefit from these tax subsidies, GAO believes that to withdraw support for the fuel ethanol industry would be inconsistent. GAO determined that continuing the tax incentives until their scheduled expiration date in 1992 would be appropriate because the private sector has invested considerably in fuel ethanol plants with the expectation that the market for the fuel would continue until 1992. GAO concluded that increasing the tax incentives could not be justified because combined federal and state incentives are adequate to make ethanol competitive and suggested that the incentives be reviewed periodically.

5. Controls Over Export Sales Reporting and Futures Trading Help Ensure Fairness, Integrity, and Pricing Efficiency in the U.S. Grain Marketing System. RCED-85-20, April 9, 1985
(See Food Marketing Section p. 147.)

PUBLIC LAW 480

1. Competition Among Suppliers in the P.L. 480 Concessional Food Sales Program. ID-81-6, December 19, 1980

SUMMARY:

Concerning government-financed grain sales under Public Law 83-480, GAO was asked to determine (1) whether other firms and farmer cooperatives successfully competed against seven major grain firms for the sales since fiscal year 1969, (2) if the Department of Agriculture (USDA) has actively and effectively promoted competition by other suppliers, and (3) what changes in the legislation or management of the program might increase supplier competition and make the program more effective and efficient. In order to answer these questions, available sales statistics for fiscal years 1969-78 were analyzed, as well as bid data for fiscal years 1978 and 1979.

GAO found that, in several years, other firms and export cooperatives supplied significantly more grain or rice than several of the seven major firms. But the seven major firms had collectively supplied 70 to 90 percent of the grain for 8 of the 11 fiscal years from 1969-79. For a variety of reasons, other firms and cooperatives only bid sporadically for the sales, whereas the seven major firms bid aggressively for most of the commodities. USDA has acted to encourage greater participation by other suppliers, and GAO believes that USDA policy and regulations basically meet the requirements of the existing legislation. Grain firms are experiencing problems with certain legislative procedures and requirements. The problems are acting as barriers to greater industry participation, particularly by smaller firms or cooperatives.

Recommendations: The Secretary of Agriculture should direct the General Sales Manager of USDA to take action to (1) standardize performance bond requirements, (2) improve procedures to provide earlier payment to suppliers, (3) simplify bid bond requirements, (4) standardize the letter-of-credit procedures, (5) develop standardized invitations for bids, and (6) limit the size of individual sales and seek to develop a more orderly sales distribution.

2. U.S. Assistance to Egyptian Agriculture: Slow Progress After 5 Years. ID-81-19, March 16, 1981

SUMMARY:

Agriculture has traditionally been a mainstay of the Egyptian economy. In 1975, the Agency for International Development (AID) undertook a high-level development effort aimed at helping the government of Egypt increase agricultural production. The high level of U.S. assistance to Egypt was based on the belief that President Sadat's peace initiatives were crucial and that his effort would be supported and enhanced by a strong and growing economy that was able to meet

the Egyptian people's basic needs and expectations for a better life. To assess the progress of the Egyptian agricultural assistance program and identify how program impact could be improved, GAO undertook a review of the assistance that the United States has provided to Egyptian agriculture since 1975.

Although AID has committed more than $357 million to projects aimed at increasing food and agricultural production in Egypt, only $61.8 million of these funds has been spent, and the impact of the projects on Egyptian agriculture has been negligible. Problems in project implementation which have caused slow progress include: contracting delays; insufficient Egyptian support; inadequate AID monitoring; and the lack of staff and expertise of some U.S. contractors, including universities. Even with speedy project implementation, the program's impact will be limited unless policy changes, which provide an environment for agricultural development, are undertaken and unless more attention is given to developing an extension service capable of delivering the technology being developed.

UPDATE:

The matters discussed in the report were considered during congressional hearings on the assistance program for Egypt. AID indicated its intention to further consider the issues and to take necessary actions. In general, more attention within the Agency has been directed toward project implementation.

3. Status Report on U.S. Participation in the International Fund for Agricultural Development. ID-81-33, March 27, 1981
(See Title XIV p. 85.)

4. Poor Planning and Management Hamper Effectiveness of AID's Program to Increase Fertilizer Use in Bangladesh. ID-81-26, March 31, 1981

SUMMARY:

The Agency for International Development (AID) has undertaken a project to improve the supply and distribution of fertilizer in Bangladesh. The aim of the project is to help Bangladesh meet its goal of achieving foodgrain self-sufficiency by 1985. GAO reviewed project planning and implementation.

Some progress has been made in improving fertilizer distribution and use, but the project has not achieved its goal of an annual 15-percent increase in fertilizer sales. Fertilizer imports have not been adequately planned and coordinated with domestic fertilizer production and storage capacity. The project's new marketing system has made limited progress in

improving farmer access and reducing distribution costs. Construction of storage facilities is significantly behind schedule, and those warehouses which have been built are fewer and smaller than planned. Plans to provide bulk-handling facilities have not been adequately planned. Fertilizer imports were based on overly optimistic annual sales estimates which were not periodically revised to reflect actual demand, domestic production, and available storage capacity. Fertilizer stock levels at July 1980 had reached a 7-month supply on the basis of sales. To relieve storage demands, Bangladesh has begun to export about 40,000 tons and plans to export an additional 55,000 tons while continuing to import significant amounts of fertilizer. Plans by AID to purchase portable bagging machines for bulk fertilizer imports may duplicate similar efforts planned by another agency. Current fertilizer imports are not sufficient to justify the machines.

UPDATE:

AID has given considerable attention to the matters discussed in this report. According to AID, overstocking is likely to remain a problem to some degree because, among other things, donors have not been able to plan their contributions far enough ahead. AID will seek to reallocate project funds when overstocking arises. More recently, AID reported that its fertilizer distribution improvement project has been used effectively to help remove constraints on the operation of fertilizer retailers. Official retail prices have reportedly been eliminated and many government fertilizer sales centers have been closed in order to leave local marketing to private dealers. Studies indicate somewhat more intensive use of fertilizers among small farmers; and price competition among retailers in some areas has resulted in prices below the former official prices. AID intends to support the improved distribution system by financing fertilizer imports; credit for private distributors; technical assistance in distribution and marketing; and other improvements to increase access to ports, factories, and warehouses.

5. Food for Development Program Constrained by Unresolved Management and Policy Questions. ID-81-32, June 23, 1981

SUMMARY:

The implementation of the 1977, title III, Food for Development amendment to the Agricultural Trade Development and Assistance Act (P.L. 480) was reviewed. This is the principal legislation under which the United States provides food aid to friendly countries. The review was conducted because of the emphasis in recent years on more closely relating U.S. food aid with recipient country self-help efforts and because of some congressional concerns that the food for development program had not been implemented more rapidly and on a larger scale.

There is a need to fix responsibility and authority for the design, review, approval, and evaluation of the multiyear development plans under title III with one lead agency, preferably the Agency for International Development (AID). This lead agency could draw upon the Department of Agriculture and other outside technical expertise in dealing with development planning and implementation. U.S. policymakers face the dilemma of persuading recipient governments to take difficult self-help measures in return for U.S. food aid, which they may perceive that they will get anyway. Agencies also face the problem of getting maximum impact of food aid on development under title III with its stringent requirements in an environment of highly concessional alternative food aid under title I with less stringent requirements. A policy framework for linking the concessionality of food assistance to self-help measures needs to be established. Such a policy, if it is to be meaningful, will require close cooperation among the concerned departments and agencies and will require appropriate consultation with congressional committees.

UPDATE:

Title III continues to be administered on an interagency basis and is still not widely accepted by countries receiving food under P.L. 480. AID agreed with the need to accept lead agency responsibility, but other agencies believe the present process best serves the multiple objectives of the program and is necessary if each agency is to meet its respective program responsibilities. As of September 1984, no countries other than the six identified in the report have signed new agreements. The combined value of agreements signed in those countries was about $682 million at the end of fiscal year 1984.

6. AID and Universities Have Yet to Forge an Effective Partnership To Combat World Food Problems. ID-82-3, October 16, 1981

SUMMARY:

The goal of title XII, the Famine Prevention and Freedom from Hunger amendment of the Foreign Assistance Act of 1961 is to improve and strengthen the involvement of U.S. land-grant and other eligible universities in solving developing countries' food problems. To assist and advise the Agency for International Development (AID) in achieving this goal, a presidentially appointed board, the Board for International Food and Agricultural Development (BIFAD), was established. GAO conducted a review to evaluate AID efforts to implement the provisions of title XII and to identify ways to improve AID/university ability to provide agricultural assistance to developing countries.

In the nearly 6 years since the passage of title XII of the Foreign Assistance Act, progress in expanding and improving U.S. university involvement in AID agricultural

development activities has been slow. AID and the title XII community have yet to forge a partnership to fight world food problems. AID, BIFAD, and the U.S. university community efforts to improve university involvement in AID technical-assistance projects through such programs as a strengthening grant program, collaborative research-support program, baseline studies, and other mechanisms have yet to manifest better project performance abroad. University projects continue to experience costly and time-consuming delays which limit project results and detract from the quality of assistance provided.

Recommendations: To ensure that the AID sizable investment in strengthening grants meets a clear need and will be fully used, the Administrator of AID should include, as part of the planned 1982 evaluation of the grant program, a provision to assess the likely and appropriate level of AID utilization of universities in its program activities. The Administrator should consider incorporating the strengthening grant program as part of the proposed individual AID/university memorandums of agreement. The AID Administrator, in consultation with BIFAD, should improve AID/university implementation of title XII objectives by developing better means of preparing, orienting, and assisting university contract staff for overseas assignments. University contractors should (1) receive a complete orientation on the unique, cultural, social, political, and economic characteristics of each foreign location, (2) be able to anticipate the expected or potential problems in working with foreign-country counterparts, (3) be aware of the AID method of operation in each location, and (4) be given adequate assistance to overcome administrative and logistical problems, such as clearing customs and obtaining adequate housing. The AID Administrator, in consultation with BIFAD, should improve AID/university implementation of title XII objectives by reviewing all current AID guidelines and instructions pertaining to U.S. universities and other title XII institutions and developing consolidated guidelines in the AID operational and procedural handbooks and instructions which (1) define title XII activities, (2) establish university procurement and contracting procedures, (3) lay out the operational roles and responsibilities of university contractors and missions on overseas projects, and (4) provide other necessary guidance to facilitate an AID/university working relationship. The AID Administrator, in consultation with BIFAD, should improve AID/university implementation of title XII objectives by issuing a policy directive clarifying the AID position on, and commitment to, implementing the title XII concept to combat world food problems. The policy directive should (1) communicate the importance of, and establish the priority of, title XII in relation to the overall AID agricultural development strategy, (2) specify the extent to which title XII mechanisms are to be emphasized in AID research and technical assistance, (3) delineate the Board role to assist AID operating units in carrying out

these activities, and (4) be widely disseminated within the title XII community.

UPDATE:

In March 1982, the House Committee on Foreign Affairs used the report as a basis for hearings on the title XII program, and AID officials highlighted their actions on the recommendations.

As of October 1983, AID agreed with all of the recommendations, had taken or was in the process of taking corrective actions, or was trying to resolve basic underlying problems. It approved a title XII policy directive on October 2, 1982, to reaffirm its commitment to the legislation and provide needed definitions on what constitutes title XII initiatives. The directive has been incorporated in the Handbook system with appropriate definitions, procedures, and instructions for their use. BIFAD has been requested to examine the contractor selection process, leading to alternative arrangements for better access to university resources. AID has undertaken a pilot program to prepare university staff members for overseas assignments.

7. Letter of Inquiry on AID Agricultural Research Activities. Letter Report, February 3, 1982

SUMMARY:

GAO surveyed the agricultural research activities of the Agency for International Development (AID). Prior reports and studies by GAO and AID highlighted problems relating to agricultural research and made recommendations for improving AID agricultural research activities. The current survey shows, however, that many of these problems still exist. In particular, AID needed to (1) develop an integrated research strategy, (2) identify and classify research, (3) place greater emphasis on research relevance, quality, and use, and (4) have more agriculturally trained staff members.

8. Food Conservation Should Receive Greater Attention in AID Agricultural Assistance Policies and Programs. ID-82-29, June 3, 1982

SUMMARY:

Inefficient agricultural systems cost developing countries billions of dollars annually in lost food. Previously, GAO has recommended that the Agency for International Development (AID) give more attention to the storage, distribution, and marketing systems in these countries. GAO conducted this review to determine what actions AID has taken and should take to reduce food loss. GAO examined agricultural policies and

guidelines, reviewed the projects in Senegal and the Philippines, and considered the results of one project in Panama.

GAO found that food conservation is an area that requires AID to work closely with the host countries in dealing with problems which limit performance of current projects. AID should also provide incentives to reduce food losses and initiate stronger programs through its missions. By adopting policies which foster consideration of post-harvest storage, handling, processing, and marketing in conjunction with production projects, and by providing guidance to the overseas missions for developing specific projects, AID could more successfully realize the potential for increasing food availability through food conservation as well as production.

AID has not prepared a strategy or plan for directing its post-harvest research activities or for setting funding limits, and it does not know how much it spends for such research. This information appears to be essential to manage long-term research activities.

Research under university cooperative agreements has been cited as one of the major efforts in support of a U.N. goal of reducing post-harvest food losses. However, the agreements do not provide adequate criteria for selecting research projects and for distinguishing between research and technical assistance, nor require prior AID approval of the research to be conducted. Questions have been raised whether some research is consistent with development assistance objectives.

Recommendations: The Administrator of AID, within the university cooperative agreements, should (1) clearly establish the focus of AID-financed research, (2) provide for an annual research plan for AID approval, (3) establish the amount of research that may be done, (4) require that research activities be clearly identified, and (5) confirm that ongoing research is in harmony with the desired AID policy focus. The Administrator of AID should develop a post-harvest research strategy, including priorities and planned activities and an appropriate emphasis on identification and use, or adaptation, of existing technologies. The Administrator of AID, as an integral part of the agricultural assistance program, should (1) change the Agency's agricultural assistance policy to recognize food production and food conservation as complementing rather than competing functions and articulate production policy in such a way as not to inhibit consideration of food conservation measures, (2) require the missions to address post-harvest problems in their development strategies or, if more appropriate, in their agricultural sector assessments, and (3) develop guidelines for the overseas missions to design loss-reduction projects and set goals which can be verified. The Administrator of AID, in conjunction with the Philippine Government, should develop and implement a plan for the efficient use of the food processing center at Central Luzon State

University. The Administrator of AID should, in conjunction with the Senegal Government and other donors, as appropriate, assess Senegal's long-term storage requirements at government and farm levels. This assessment should consider (1) the feasibility of improving Senegal's capability to manage its existing storage facilities, including those financed by AID, and effective management may involve making them available to the private sector, (2) the need for and practicality of additional national-level facilities such as are now in process and being considered, and (3) the practicality of the Food and Agriculture Organization's food security proposal and its modification as appropriate.

UPDATE:

AID is taking action on the recommendations to increase attention to food conservation and has recognized in the overall food and agriculture policy that food production and conservation are complementary. Policy paper formulation on post-harvest losses was approved in July 1982 and was expected to provide the framework for policy on the post-harvest aspects of food security. However, the policy paper was never prepared. AID issued a draft agriculture assistance sector strategy paper on priorities for research which recognizes post-harvest losses. In August 1982, AID established a process for annual approval of all research funded under its cooperative agreements with Kansas State and Idaho Universities. The AID mission in Senegal completed the storage program assessment, but AID did not approve its request to use Economic Support Funds for a national food reserve system. AID has taken actions to develop an operational plan for the food center in the Philippines.

9. International Assistance to Refugees in Africa Can Be Improved. ID-83-2, December 29, 1982.

SUMMARY:

GAO reported on improvements that could be made in international assistance to refugees in Africa.

On the basis of visits to four countries, GAO stated that efforts to meet refugee needs could be improved by better planning and coordination. GAO found that inequitable amounts and types of assistance have been provided to refugees in Africa, the U.N. programs tend to be open-ended and without plans for phasing out assistance, and continuous high levels of assistance often serve as a deterrent to refugees' voluntary repatriation. At two camps, the amount of assistance provided to refugees has exceeded the living standards of the local population. GAO believes that these problems occurred because comprehensive country-program plans and agreements with governments offering asylum and program guidance were not established and donor assistance was not

effectively coordinated. African refugee programs are not sufficiently evaluated because of the Department of State's limited in-country assessment of, and reporting on, the U.N. High Commissioner for Refugees (UNHCR) activities and projects, and the fact that about 95 percent of U.S. contributions to the program were unrestricted and inherently difficult to track. GAO found that, in some countries, governments consider the refugees as guests and limit the extent to which refugees can effectively resettle and integrate into the economy. Less restrictive asylum-country policies are needed for Agency for International Development (AID) refugee assistance to be effective.

Recommendations: The Administrator, AID, should closely monitor AID plans for bilateral refugee assistance to assure that asylum countries remove barriers to economic integration of refugees before making direct U.S. commitments. The Secretary of State, in conjunction with the Administrator of AID should, where appropriate, establish a means to better evaluate and report on specific UNHCR refugee programs. State Department oversight of UNHCR programs should determine whether such programs (1) provide assistance to all refugees who require assistance, (2) provide reasonable amounts and types of assistance in keeping with UNHCR standards and objectives, (3) are effectively coordinated with other donors and private voluntary organizations, and (4) promote lasting solutions to refugee problems. The Secretary of State should encourage UNHCR, in planning and implementing African refugee assistance programs, to (1) develop a more comprehensive working agreement with asylum governments, defining the specific roles, responsibilities, and authority of the UNHCR and the asylum governments and (2) develop a multi-year plan of operations for those countries where near-term solutions to refugee problems do not appear possible.

UPDATE:

The Department of State and AID have reported taking action on all of the recommendations. They have pressed UNHCR to develop multi-year plans of operation to encourage it to better plan and implement its programs. They also note UNHCR development of a "Handbook for Emergencies" to improve in-country programs. To improve U.S. evaluation and monitoring of UNHCR programs in Africa, State and AID programming is intended to (1) more judiciously earmark U.S. funding of UNHCR programs, (2) add a third African country program officer in State, (3) establish a refugee affairs coordinator position in Khartoum, Sudan, and (4) consider ways to enhance and evaluate UNHCR programs. AID has indicated that in planning refugee programs/activities financed from the special $30 million appropriation, it will continue to ensure that refugees are not restricted in their attempts to integrate economically in the asylum countries.

10. Managing the Transportation of U.S.-Donated Food to Developing Countries. ID-83-24, March 3, 1983

SUMMARY:

Pursuant to a congressional request, GAO examined Agency for International Development (AID) and U.S. Department of Agriculture (USDA) procedures for managing the shipping and freight-forwarding functions for the Public Law 480, title II food donation program.

GAO found that the procedures followed by private-sector freight forwarders in behalf of private voluntary organizations (PVOs) and AID and those used by USDA for booking and forwarding ocean freight are similar and generally adequate to protect the interests of the federal government. Further, GAO tests of transactions and information obtained indicated that their performances are not sufficiently different enough to substantially favor one group over another in carrying out the freight-forwarding function. GAO found that private freight forwarders and USDA often obtain more favorable ocean freight rates than those determined by USDA guidelines and that both groups encourage a high level of competition among ocean carriers to obtain economical rates. The examination of claims, collections, and loss data on food shipped by USDA and the most active PVOs showed that they settled claims within similar time frames and that there were no significant differences in cargo losses.

GAO identified several areas where monitoring and auditing of title II transportation activities could be improved. First, USDA had no assurance that private freight forwarders or its Ocean Transportation Division were conforming to its established guidelines covering ocean freight rates. Although USDA's system to identify the lowest freight rates is a good management tool, monitoring of the rate guidelines for PVO shipments is not done routinely. Second, PVO freight forwarders can and do receive "reimbursement" for ocean freight expenditures before the carriers are paid--a violation of AID regulations. This results in interest-free advances of federal funds. Third, AID does not review title II freight vouchers which PVOs submit either on a pre-audit or post-audit basis. Therefore, AID has no assurance that the amounts which the forwarders pay ocean carriers are in accordance with the established tariffs.

Recommendations: The Secretary of Agriculture should require that procedures be established to routinely examine the actual freight charges which appear on the bills of lading from all program sponsors to help ensure that they do not exceed those determined by its lowest landed cost procedure. The Administrator, AID, should require PVOs to monitor the activities of their freight forwarders by comparing, before

payment, freight forwarder payment requests with USDA guidelines to verify that ocean freight charges comply with the lowest landed cost determination.

UPDATE:

According to AID, the General Services Administration has agreed to audit all transportation vouchers for P.L. 480, title II shipments in 3-month intervals. Beginning in fiscal year 1985, AID will require PVOs to certify that shipments meet USDA guidelines for the lowest landed cost. This certification must be on all ocean freight vouchers. AID will establish new reimbursement procedures for PVO freight forwarders under a direct letter of commitment. USDA believes that its procedures are adequate to ensure that the lowest available freight rates are obtained for its own shipments.

11. Agency for International Development's Assistance to Jamaica. ID-83-45, April 19, 1983

SUMMARY:

GAO reviewed the Agency for International Development's (AID's) assistance program to Jamaica.

Balance of payments assistance through the Economic Support Fund and P.L. 480 programs can contribute to development. AID can influence Jamaican economic policies by making assistance conditional on implementation of reforms to encourage private sector and overall economic growth. GAO found that AID has generally not achieved substantial policy reforms. Mission officials said they had prepared plans to increasingly link assistance to implementation of policy reform. GAO believes that it is important to follow through with the AID plan to link assistance to implementation of policy reforms. Foreign exchange provided to Jamaica is intended to finance imports needed by the private sector to increase production and employment. AID mission officials told us that once the exchange is provided, they do not attempt to control how it is used and have no assurance that it results in additional imports of U.S. equipment and materials needed to stimulate economic growth. GAO believes that with an improved monitoring process, AID could encourage Jamaica to increase productive imports from the United States.

While AID requires that Jamaica provide local currency equivalent to the value of U.S. balance of payments assistance for agreed-upon development projects and purposes, AID relied upon the government of Jamaica to select up to 90 percent of the projects which will receive local currency proceeds. GAO believes that AID could assume a more active role in identifying and proposing development projects to receive

local currency. Further, AID does not plan to perform on-site monitoring of local currency projects to assure that budget funds are in fact provided for agreed upon purposes or to determine whether projects are progressing adequately.

Recommendations: The Administrator, AID, should implement a system to monitor actual imports from the United States as a basis for assuring that productive imports from the United States increase. The Administrator, AID, should attempt to identify an increasing portion of the development projects for which local currency will be allocated, and monitor on a spot basis the end use of the local currency.

UPDATE:

AID believes that (1) Jamaica uses counterpart funds for priority purposes and increased AID participation in selecting projects to be funded is unnecessary, (2) additional action to program local currency use would be inappropriate because local currencies belong to Jamaica, and (3) local currencies are being used to support agreed-on activities and AID lacks the manpower to monitor locally.

AID stated that balance-of-payments assistance is not intended to result in additional Jamaican imports of productive goods and services from the United States. It claims that the assistance can be used to purchase imports from any source and that an attempt to induce additional purchases from the United States would delay the provision of foreign exchange and be inconsistent with Jamaica's developmental needs.

AID rejected both of the recommendations. AID stated it is doing a good job of administering balance-of-payments support to Jamaica and does not need to improve its procedures. AID believes that (1) its administration of balance-of-payments support has been effective because it has provided foreign exchange (cash) in a timely fashion even though there is no evidence to show that the foreign exchange provided has resulted in increased purchases of productive goods and services from the United States, (2) its participation in deciding how local currencies are to be used should not increase and that closer monitoring of end-use is unnecessary and impracticable given existing AID staff resources, and (3) it has influenced substantial policy changes by providing foreign exchange. Although AID believes that it has done a good job in the past, it has established a new system to monitor Jamaican progress in implementing policy changes.

12. Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance. NSIAD-83-31, August 29, 1983

SUMMARY:

GAO reviewed the operation and maintenance of U.S.-financed irrigation systems in Indonesia, Sri Lanka, and Thailand to determine how the Agency for International Development (AID) can (1) improve operation and maintenance practices of developing countries and extend the economic life of the irrigation systems and (2) design irrigation systems that adequately consider operation and maintenance requirements.

GAO found that donors have demonstrated their concern with developing country food problems by investing in irrigation systems and other facilities. At the same time, they have not given sufficient attention to the complementary institutional and financial costs of operating and maintaining the facilities. Donors have assumed that recipient countries would provide recurrent budget support to effectively operate and maintain projects, but this has not happened. AID has prepared a policy on recurrent cost financing, but the World Bank and Asian Development Bank have not. GAO found that AID project designs have assumed that water user associations would be established to provide on-farm maintenance, ensure equitable water distribution, and maintain discipline among users. Generally, these assumptions have not been realized. Consequently, systems have been vandalized, water wasted or stolen, and routine maintenance ignored.

Recommendations: The Administrator of AID should (1) as an integral part of project planning and as a condition for project approval, require that recurrent cost plans be developed in conjunction with recipient governments and other donors to recognize the principle of cost recovery from all beneficiaries; project the annual life-of-system operation and maintenance costs; identify the source of operation and maintenance funds and the funding options available to the country and the donors; include specific plans to strengthen each recipient country's capability to budget for operation and maintenance funding and to account for operation and maintenance expenditures on a project basis, and institutionalize management monitoring and evaluation of plan implementation and (2) encourage other donors to define their recurrent cost financing options. In addition, the Administrator should encourage the multilateral development banks to further define their recurrent cost financing options as they relate to future financing of irrigation project development. The Administrator of AID should adopt stronger design and construction criteria for improving operation and maintenance performance as standard prerequisites of approval for new irrigation and rehabilitation projects. The criteria should include (1) quality assurance measures in design and construction to ensure that the local engineers and contractors take heed of technical advisors and require site visits during the design process, (2) the

involvement of farmers in the planning, design, implementation, monitoring, and evaluation process, (3) priority consideration of operation and maintenance requirements during project design, and (4) appropriate transition between construction and operation and maintenance. The Administrator of AID should require from the host governments, before the construction of irrigation systems begin, written certifications that (1) active, viable water user associations have been established, (2) designers have met with association members, discussed their needs and system benefits, elicited their input into on-farm system design, and stressed that the on-farm system will be theirs and that they must operate and maintain it, (3) each association has submitted a written request for the system and has agreed to the on-farm operation and maintenance, and (4) local users, to the extent possible, will be used to help construct the on-farm portions of each project.

UPDATE:

AID substantially agreed with the findings and recommendations, and is pursuing many of them through its policies and projects. Specific steps of implementation in some projects await the design process for new projects since implementation of such recommendations, along with consideration of numerous other issues, takes place at the level of individual project's design and approval. AID will monitor these designs to ensure that recommendations are implemented as needed. AID has also proposed irrigation operation and maintenance projects in Indonesia and Sri Lanka costing $25 million and $19 million, respectively, for fiscal year 1985. These projects are designed to improve the efficiency of AID investments in irrigation.

13. Africa's Agricultural Policies--A More Concerted Effort Will Be Needed If Reform Is Expected. NSIAD-83-36, September 8, 1983

SUMMARY:

GAO reviewed efforts by the Agency for International Development (AID) to reform host-government agricultural policies in Sub-Saharan Africa, which have been recognized as a major cause of the current agricultural crisis in the region because agricultural producers are not provided with either appropriate incentives or suitable economic environments to make production beyond the subsistence level worthwhile.

GAO believes that AID preparation of a number of policy and strategy papers, development of guidelines for preparing country development strategies, and testimony before Congress fostered commendable policy reform. However, at the country level, GAO found that AID often does not have an ongoing

viable program in place which recognizes the difficulties inherent in realizing policy reform and the potential long-term effort involved. Most missions have neither fully identified and put in order of priority the key host-country economic policy constraints nor been involved in the development of national food strategies. In addition, GAO found that further improvements are needed in AID attempts to upgrade the economic analysis capability of its mission staff. GAO found that few missions have better than minimal reform programs underway and that only half of the missions currently have programs to improve host-government analysis capability. Some missions have questioned their ability to effectively discuss policy with host-government officials. Finally, GAO found that many missions are not fully coordinating their reform efforts with other donors and other U.S. agencies or fully using concessional agricultural commodity programs to influence reform.

Recommendations: The Administrator, AID, should require a definitive policy reform plan from the mission in each country, including an assessment of the probability for policy reform. Each plan should recognize the difficulties in motivating the country to make needed reforms and the potential and likely long-term nature of such an effort. Such a plan should provide actions that can be taken immediately and over the longer term and actions to be pursued if the country fails to respond or make adequate progress. The Administrator, AID, should establish appropriate incentives for rewarding missions and staffs for their efforts in (1) effectively carrying out policy reform programs, (2) enlisting the support of other donors for a more unified donor approach to policy reform, and (3) involving the Departments of State, Treasury, and Agriculture in the AID policy reform effort by soliciting their views and input on both region-wide and country-specific AID documents generated.

UPDATE:

AID has recognized the role of inappropriate host government policies as a prime suppressant of agricultural output growth in Sub-Saharan Africa and has intensified its efforts concerning corrective action. AID agrees that more needs to be done to accelerate the pace of reform. Much of what the report calls for is underway. AID proposes both to strengthen the basis for more policy reform by better identification of policy constraints to agricultural growth through agricultural assessments and other means, and to concentrate efforts through more careful tailoring of policy reform planning by individual missions.

14. Economic Effects of Cargo Preference Laws. OCE-84-3, January 31, 1984

SUMMARY:

Using 1980 shipping data, GAO analyzed the dependency of the U.S.-flag fleet on cargo preference laws, the economic effects of cargo preference, and the effect of eliminating the cargo preference requirement for the Food-for-Peace program.

Cargo preference laws mandate that at least 50 percent of all U.S. government-owned or -financed cargo shipped between American and foreign ports be carried on U.S.-flag ships. GAO believes that the following general conclusions regarding the effects of cargo preference laws are valid provided the assumptions used in analyzing 1980 data remain applicable: (1) the maritime industry depends on cargo preference laws for some of its cargo, but not all government cargo carried on U.S.-flag ships is transported because of cargo preference laws, (2) additional U.S.-flag ships and American crews are employed in transporting government cargo, (3) the government pays more to ship its cargo than it would if it were allowed to use less expensive foreign-flag ships, and (4) the Food-for-Peace program is a major source of cargo carried on U.S.-flag ships because of cargo preference laws.

15. Foreign Currency Purchases Can Be Reduced Through Greater Use of Currency Use Payments Under Public Law 480 Commodity Sales Agreements. NSIAD-84-76, April 10, 1984

SUMMARY:

GAO examined the U.S. collections of local currencies payable under provisions in certain commodity sales agreements to see whether they are being collected in a timely manner.

GAO found that amounts owed remained uncollected while needed local currencies were purchased with dollars from commercial sources. The currencies were partial payments under otherwise long-term dollar repayable credits and are known as currency use payments. Purchases of local currencies could have been reduced by $29 million between October 1981 and September 1983 by collecting the amounts payable. Since the dollar equivalent of collections is credited to the Commodity Credit Corporation, the Corporation may have to reduce its program level or obtain necessary funds from other sources, if receipts are less than projected. If amounts uncollected as of September 1983 are collected, they may reduce future dollar purchases of local currencies; if they remain uncollected, their equivalent amounts are payable in dollars when the long-term credits become due. GAO found that no system has been established to ensure timely currency use payments collections. The collections are the responsibility of individual State Department missions. However, the missions do not directly benefit from the collection efforts. Agreements

for fiscal year 1982 with seven countries where local currencies were purchased contained no currency use payment provisions because of political reasons or oversight. In addition, greater use of these provisions may be constrained by the conflicting interests of the agencies involved.

Recommendations: The Secretary of Agriculture, as Chairman of the Subcommittee on Food Aid, should take the lead in establishing guidelines and procedures for (1) collecting currency use payments on a timely basis and (2) determining the extent to which needed local currencies will be obtained through the Public Law 480 commodity sales program rather than through dollar outlays. The Secretary of the Treasury should (1) establish procedures for systematically identifying delinquent local currency payments, sending timely reminders to the missions, and bringing delinquencies before the Subcommittee on Food Aid when negotiating agreements for additional commodities and (2) promote greater use of currency use payment provisions in commodity sales agreements to generate local currencies for U.S. needs. The Secretary of State should issue a directive to the missions to expedite commodity use payment collections by (1) requesting payments promptly to satisfy local currency needs in accordance with Treasury notifications of commodity use payment availability and collection guidelines and (2) obtaining approval from the Treasury and the Subcommittee on Food Aid before delaying collections. In transmitting information to the missions regarding future commodity use payment availability and collection procedures for individual agreements, the Secretary should refer the missions to this directive. The Administrator of the Agency for International Development (AID) should collaborate with other members of the Subcommittee in establishing interagency currency use payment guidelines. Until such time as overall guidelines have been established, the Administrator should ensure that the AID guidelines are applied in a manner that balances the AID development mandate with the desirability of reducing dollar outlays to meet U.S. local currency needs.

UPDATE:

In their comments on the final report, the agencies expressed general agreement with the report and indicated their intentions to take actions in harmony with the recommendations.

16. Opportunities for Greater Cost Effectiveness in Public Law 480, Title I Food Purchases. NSIAD-84-69, April 19, 1984

SUMMARY:

GAO discussed opportunities to improve the effectiveness of subsidized food purchases by recipient, developing countries under the Public Law 480, Title I program.

Under the program, the Department of Agriculture's Foreign Agricultural Service in fiscal year 1982 financed about $722 million worth of purchases of agricultural commodities by developing countries. GAO examined 54 of the 86 purchases made in fiscal year 1982 and found that opportunities exist to better control or reduce program costs. In 26 percent of the cases GAO reviewed, buyer purchasing practices were not conducive to achieving the full benefits of open competitive tendering or obtaining the lowest prices. Delays in signing Title I agreements and overlapping of purchases with the Title II donations program caused prices to rise. GAO found that the Foreign Agricultural Service is financing price premiums for individualized and nonstandard specifications when lower cost alternatives are available. GAO noted that the legal requirements that the United States receive a fair share of the increase in recipients' commercial imports over time is not monitored or emphasized. Finally, GAO concluded that (1) the credibility of the price evaluation system is questionable, (2) the Foreign Agricultural Service price reviewers routinely approved sales prices that exceeded the market price as determined by the Stabilization and Conservation Service, and (3) the Stabilization and Conservation Service needs to survey a broader cross-section of the industry to better establish market prices for certain commodities.

Recommendations: The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to (1) work for earlier signings of Title I annual agreements and a wider spread of procurements over the year, (2) establish a required minimum amount of time between (a) the issuance of invitations for bids and bid openings and (b) bid openings and the first delivery dates, (3) reemphasize the requirement of the Title I regulations that buyers select the lowest responsive bids and that the Foreign Agricultural Service require and document the justification for any exceptions, and (4) eliminate close or overlapping Title I and Title II, Public Law 480 purchases. The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to require that recipients finance any additional premiums for individualized or nonstandard specifications unless a definite need has been established and justified. The Secretary of Agriculture should direct the Administrator, Foreign Agricultural Service, to more carefully monitor import statistics and emphasize the legislative requirements to take reasonable precautions to safeguard the usual U.S. markets and to take steps to ensure the United States a fair share of any increase in commercial purchases in countries which have rising imports. The Secretary of Agriculture should direct the Administrator, Agricultural Stabilization and Conservation Service, to strengthen the export market price-gathering function of the Kansas City Commodity Office for wheat flour and spring wheat. The Secretary of

Agriculture should direct the Administrator, Foreign Agricultural Service, to (1) disapprove any Title I bid price that exceeds the export market price as determined by the Stabilization and Conservation Service for the comparable commodity specification and shipping mode and (2) develop a system for evaluating Title I rice prices that uses the broadest practical range of information sources.

UPDATE:

The Department of Agriculture has taken action on all recommendations. Intended completion data is unknown.

17. Peruvian Rice Purchases Guaranteed by the Commodity Credit Corporation. NSIAD-84-116, June 7, 1984

SUMMARY:

Pursuant to a congressional request, GAO investigated rice purchases made by Peru in September 1983 under a U.S. government guaranteed export credit, focusing on (1) whether Peru passed up lower responsive bids during the procurement of the rice and (2) what is required of recipient countries and the Department of Agriculture (USDA) under Export Credit Guarantee Program legislation and implementing regulations.

GAO found that Peruvian officials (1) had passed over two lots of lower priced rice from one offerer to purchase an equivalent amount of rice from other exporters at a premium of over $300,000 and (2) decided to split the purchase among several suppliers apparently because of the low offerer's allegedly deficient service on a prior purchase and to achieve supply security. USDA's Export Credit Guarantee Program is not administered under any specific underlying program legislation, and regulations for the program neither impose restrictions on the purchasing terms and conditions that a buying country can employ nor provide for USDA to have access to the importers' records. USDA officials stated that the importers, often private or quasi-private entities, should be able to choose which commodities to purchase since they must repay amounts borrowed to commercial banks within 3 years and, since the program is considered a commercial sales program, regulations do not require competitive bidding or the acceptance of lowest priced offers. GAO noted that implementing regulations similar to those governing the Public Law 480 concessional sales program would not necessarily eliminate the type of situation that occurred in Peru, and importing countries might be reluctant to subject themselves to tighter controls and this could affect U.S. export levels.

18. Overpayment of Transportation Costs for Public Law 480 Commodities. NSIAD-85-21, October 24, 1984

SUMMARY:

During our current study of costs for transporting Public Law 480, Title I commodities, we identified an error by the Foreign Agricultural Service's (FAS) Ocean Transportation Division in computing the ocean freight differential (OFD) involved in a shipment of wheat to the Arab Republic of Egypt. FAS pays the OFD, which is essentially the difference between the transportation rates of U.S. flag vessels transporting the commodity and the rates of foreign flag vessels that would have been selected without cargo preference. Division representatives concur that they used a foreign flag bid in the computation that was non-responsive since the bid was received after the deadline. As a result of this error, FAS paid about $144,507 in excess OFD payments for the benefit of Egypt. We recommend that FAS seek to recoup these funds from Egypt. The oversight increased U.S. transportation expenditures for the shipment by about $144,507 and decreased Egypt's expenditures by an equal amount.

UPDATE:

On November 20, 1984, FAS requested that the Arab Republic of Egypt reimburse the United States for the overpayment of OFD.

TITLE XIII -- FOOD STAMP AND COMMODITY DISTRIBUTION AMENDMENTS OF 1981

1. Information on Dine-Out Feature of the Food Stamp Program. CED-81-72, February 27, 1981

SUMMARY:

Acting on a congressional request, GAO reviewed the dine-out feature of the Department of Agriculture's Food Stamp Program which authorized states to arrange for food stamp recipients who are at least 60 years of age to use food coupons to pay for meals in authorized restaurants.

Only 10 states were using the dine-out feature in December 1980. Six of nine states that had dropped the feature did so because of the low participation by eligible food stamp recipients. A major factor bearing on the low participation level may be that food stamp recipients cannot afford to spend their food coupons for restaurant meals. The limited data available suggested that any major future growth in the dine-out feature was unlikely. Administrative cost data on the dine-out feature were not available; however, estimates indicated that costs were low in actual dollars but high in proportion to restaurant coupon redemptions. GAO noted that the dine-out feature's socialization goal may be better served through the Department of Health and Human Services' Congregate Nutrition Services Program. The dine-out feature needed certain improvements and clarifications to facilitate effective and efficient administration. These included (1) more specific guidance on the types and numbers of restaurants that states should recruit to fulfill program goals, (2) a determination of whether food coupons may be used for takeout orders, and (3) a resolution of restaurants' participant identification problems.

2. Analysis of Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs. CED-81-81, March 9, 1981
(See Food Assistance Section p. 125.)

3. Information on Strikers' Participation in the Food Stamp Program. CED-81-85, March 26, 1981

SUMMARY:

GAO was asked to gather available data on participation in the Food Stamp Program by households with members involved in labor-management disputes. Specifically, the data were to include information on the number of participating households containing a striker, the value of food stamp benefits provided to such households, and fluctuations in strikers' participation.

GAO found that, in the 50 states and the District of Columbia, for the five 1-month periods for which data were available (1) the percentage of food stamp households containing a striker ranged from 0.29 to 2.1 percent of the total food stamp households, (2) of all persons on strike, the percentage of strikers who participated in the Food Stamp Program ranged from 3.6 to 36.4 percent, and (3) food stamp benefits provided to strikers' households may have amounted to $37 million in fiscal year 1980.

4. Improved Collections Can Reduce Federal and District Government Food Stamp Program Costs. GGD-81-31, April 3, 1981

SUMMARY:

GAO studied collection procedures for amounts owed to the District of Columbia by food stamp vendors for cash and food stamp shortages and by recipients who were overissued stamps.

The District has collected a minimal amount due from food stamp vendors and recipients. Inadequate collection efforts, lack of systems for identifying improper issuances and for monitoring collection efforts, and poor controls over recipient participation cards contributed to the problem. As a result, District and Department of Agriculture costs were unnecessarily increased.

The District was not claiming all reimbursable costs incurred in administering the program. Amounts owed by recipients may be written off as uncollectible after required collection efforts have been exhausted. There are no criteria, however, to provide guidance concerning maximum time frames within which various processing steps should be accomplished, and there is no reporting system to monitor the progress of claims processing or highlight problem claims.

The District has neither identified nor attempted to collect overissuances resulting from duplicate redemptions or from redemptions of expired, altered, and unsigned participation cards. The District's participation card system does not provide control over the cards, results in increased costs, and does not safeguard the cards to prevent unauthorized use. Transacted cards which have been returned by vendors were improperly filed and stored without adequate physical control to prevent reintroducing the cards into the system.

Recommendations: The Mayor should instruct the Director of the Department of Human Services (DHS) to execute food stamp contracts with all vendors and obtain documentation that vendors have secured insurance and bonding coverages required by their contracts. If he is unable to reach such agreements with a private vendor within a reasonable period of time, the Director should terminate the vendor's participation in the program after taking steps to minimize impact on food stamp

recipients served by the vendor. The Mayor should instruct the Director of DHS to establish a policy and procedures for initiating and settling claims for food stamp shortages incurred at District agency issuing outlet. These procedures should include (1) offsetting agency food stamp shortages against moneys due the agency by DHS for operating such outlets and (2) investigating all shortages and instituting recovery actions when District employees are determined responsible. The Mayor should instruct the Director of DHS to adopt a policy to consistently offset shortages against transaction fees earned by the vendors and establish a procedure to submit claims for unpaid shortages to vendor insurance companies where appropriate. The Mayor should instruct the Directors of DHS and the Department of Housing and Community Development (DHCD) to finalize the agreement under which DHCD issues food stamps at its locations to enable DHS to recover reimbursable administrative costs from the Department of Agriculture.

The Mayor should require the Director of DHS to (1) reemphasize to issuers and personnel working in the Food Stamp Program the importance of assuring that participation cards presented for redemption have not expired, have not been altered, and have been signed by eligible recipients, (2) remind issuers that they are liable and will not be paid fees for improper issuances, and (3) establish a system to sample redeemed participation cards to evaluate the extent of compliance with program requirements concerning expired, altered, and unsigned cards. As appropriate, redemption of expired, altered, and unsigned cards should be considered as unauthorized issuances for which issuers are liable for the value of the stamps and any fees paid. The Mayor should require the Director of DHS to assure that the Office of Fair Hearings expedites food stamp fraud hearings and reports on the status of all food stamp fraud cases until the backlog has been eliminated.

The Mayor should instruct the Director of DHS to (1) expand collection efforts for large outstanding amounts to include personal contacts with recipients who do not respond to inquiries concerning food stamp overissuances or do not execute or comply with repayment agreements, (2) establish maximum time frames within which certain claim processing steps must be accomplished, and (3) require that the proposed computerized report on claims be modified to show the status of each claim, the length of time the claim was in each status, and whether the claim was progressing in accordance with established timeframes.

The Mayor should require the Director of DHS to (1) establish a system to record and control serial numbers of participation cards received, distributed, and used, (2) establish controls over unused cards in the hands of the computer operators, (3) devise a system that will insure that all

voided cards are rendered unusable, are appropriately recorded, and are destroyed within established time frames, and (4) revise the filing system for transacted cards so that they are accessible by serial or case number and provide secured storage to prevent their reintroduction into the system.

UPDATE:

Much that was recommended has been implemented and verified. Since completion of the work, major reorganizations and personnel changes have occurred, directly affecting the administration of the program.

5. More Can Be Done to Improve the Department of Agriculture's Commodity Donation Program. CED-81-83, July 9, 1981
(See Title XI p. 28.)

6. Insights Gained in Workfare Demonstration Projects. CED-81-117, July 31, 1981

SUMMARY:

The Food Stamp Act of 1977 required that the workfare concept, in which food stamp recipients will be required to work on public service jobs for the value of their food stamp benefits, be tested in 14 pilot projects. GAO reviewed the first year's operation of the Food Stamp Workfare Demonstration, focusing on the operating results of seven demonstration sites, problems in measuring workfare benefits and costs, and the need for legislative and administrative changes that would help provide a more effective and efficient workfare operation.

GAO found that the maximum benefits available to the program were not realized because of shortcomings in federal and local project design and administration. GAO suggested changes to increase household participation in workfare and help achieve workfare's basic objectives of (1) deterring Food Stamp Program participation by those who could work, but choose not to, (2) securing some repayment to taxpayers by those who are needy and receive assistance, and (3) introducing individuals to the work environment. Twenty-five percent of Food Stamp Program participants were in four categories which GAO did not believe merited automatic exemption from workfare. These categories were the participants in the Aid to Families with Dependent Children Work Incentive Program, recipients of unemployment insurance benefits, students, and members of households whose earned incomes were equal to or greater than their monthly food stamp benefits. As most households' workfare obligations were less than 5 days a month, it seemed unlikely that workfare obligations would be a problem to these recipients. GAO found that a 30-day job search period given to new referrals to the program allowed

some participants to receive food stamp benefits for 2 months before being assigned to a workfare job. It found that workfare sanctions were not effective deterrents to workfare noncompliance and needed to be strengthened. Maximum workfare benefits were not always being obtained and staff problems sometimes disrupted the operation of workfare. Also, the cost-effectiveness of workfare was not determinable, and there was inadequate reporting to the Congress on improvements needed in the program design and administrative procedures.

Recommendations: The Secretaries of Agriculture and Labor should keep Congress fully informed about the problems and results of the workfare demonstration. The Secretary of Agriculture should obtain meaningful cost data to show what costs would be incurred in a regular, ongoing workfare program, as distinguished from a demonstration. The Secretary of Agriculture should establish and implement an effective system for gathering information on all real benefits being achieved from the workfare demonstration, whether measurable in terms of dollars or not, to give a more accurate account of workfare's actual and potential benefits. Such benefits should include the value of work lost because sites did not immediately identify and assign eligible able-bodied persons to work when the demonstration began, as well as the impact of the demonstration on Food Stamp Program participation. The Secretary of Agriculture should modify workfare program regulations and administrative procedures to require that eligible participants be interviewed and assigned to public service jobs as soon as possible with approved exceptions only where large jurisdictions would encounter massive administrative burdens without a phase-in approach, require participating jurisdictions to randomly verify participants' reasons for not appearing for an interview or job assignment, require that participants not having a good reason for not completing their workfare obligation be immediately sanctioned, establish work standards for workfare assignments and impose sanctions for clearly substandard performance, and require that project design not restrict work benefits and provide for continuity of project operations.

UPDATE:

See p. 66 for GAO follow-on report on workfare (CED-82-44, February 19, 1982).

7. Millions Could Be Saved by Improving Integrity of the Food Stamp Program's Authorization-To-Participate System. CED-82-34, January 29, 1982

SUMMARY:

GAO reviewed the Department of Agriculture's use of the Authorization-To-Participate (ATP) system, the Food Stamp Program's principal benefit-delivery method. The purpose of

the review was to make a preliminary assessment of the Food and Nutrition Service's (FNS's) efforts to assure the integrity of the system which will deliver about $8 billion of the estimated $10.6 billion of food stamp benefits in fiscal year 1982.

GAO found that the ATP system had serious weaknesses. While losses through the system had been reported to be about $12 million annually, the inaccurate and incomplete reconciliation reports submitted by some food stamp agencies and the lack of reconciliation reports by others indicated that actual losses were greater. As a result, FNS did not know the full extent of the losses. Moreover, it had opted to assume fiscal liability for losses which could have been better controlled or prevented by food stamp agencies. FNS issued regulations requiring use of photo identification at all food stamp projects and limiting ATP card replacements, but duplicate transactions could still occur. GAO found that not all food stamp agencies that had serious ATP problems were required to use photo identification under the current criteria.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service to take specific measures to improve the ATP system's fiscal integrity, including (1) determining those elements of existing ATP delivery systems which are most effective in preventing program losses and direct that the more effective methodologies be used where appropriate, (2) verifying data on the reconciliation reports by reviewing food stamp agencies' ATP issuance and reconciliation systems and records, identifying through these reviews food stamp agencies that may be more likely to have recurring duplicate ATP transactions, and analyzing these weaker systems and requiring the food stamp agencies to correct flaws contributing to program losses, (3) requiring photo identification at all food stamp agencies experiencing significant duplicate ATP transactions but not currently covered by the regulations, (4) enforcing program regulations making states and local food stamp agencies liable for program losses that should have been prevented, and (5) reevaluating the new ATP replacement regulations to determine if weaknesses in the regulations can be eliminated.

UPDATE:

Congress has passed legislation in the Omnibus Budget Reconciliation Act of 1982 (P.L. 97-253) authorizing the Secretary of Agriculture to require state agencies to use alternative delivery systems for food stamp benefits if the Secretary determines, in consultation with the Inspector General, that use of such systems is necessary to improve program integrity.

The Department of Agriculture contracted with a research firm to evaluate the effectiveness of all issuance systems

currently operating in the Food Stamp Program. The Food and Nutrition Service issued proposed regulations allowing states to use the direct pickup issuance system for ATP cards. The Service required its regional offices to (1) conduct detailed reviews of the ATP reconcile reports to identify deficiencies with state systems, (2) provide technical assistance, and (3) visit state agencies that appeared to be reporting inconsistent/questionable data and review their reconciliation systems. The Service required additional food stamp project locations to use photo identification and establish criteria to identify other locations where use of photo identification would be appropriate. The Service was reevaluating ATP replacement regulations to determine if noted weaknesses can be eliminated.

8. Food Stamp Workfare: Cost Benefit Results Not Conclusive; Administrative Problems Continue. CED-82-44, February 19, 1982

SUMMARY:

GAO reviewed the continuing operations and evaluation of the Food Stamp Workfare Demonstration Project which was designed to test the feasibility of food stamp recipients working in return for their benefits. GAO wanted to find out if participating jurisdictions had developed enough workfare jobs to enable them to assign all eligible individuals to work, and whether workfare officials were experiencing any difficulties, such as transportation problems, in getting participants to work at the job sites. In addition, GAO tried to identify any other emerging problems or program improvements as well as efforts to evaluate the demonstration through a contract with a consulting firm. The Agriculture and Food Act of 1981 authorized the implementation of workfare as a permanent feature of the Food Stamp Program and eliminated several of the exemptions for participation, eliminated the mandatory job-search period, and strengthened the penalty for not fulfilling workfare obligations.

The GAO review showed numerous opportunities to enhance efficiency and workfare program benefits. GAO cannot be certain how many jurisdictions will establish workfare programs solely for food stamp recipients. However, problems which GAO identified can serve as a caution to Agriculture and workfare project officials to avoid certain pitfalls in designing workfare programs. The GAO study confirmed that expanded workfare eligibility criteria, shorter job-search periods, stronger penalties for noncompliance, and better local administration would increase participation in the food stamp workfare program and provide additional program benefits. Improved administration would result in more able-bodied persons working and would reduce program costs by denying some benefits to those who do not complete workfare job obligations. However, delays in interviewing and assigning eligible participants to

workfare jobs, coupled with slowness in penalizing individuals for not completing workfare obligations, continued to result in a loss of benefits during the extended demonstration period. Many clients were interviewed twice. GAO found that it was possible to have a local employment service office assume certain workfare functions, including the required interview for most new benefit recipients. Enough jobs have been developed for workfare participants at the sites which GAO visited, but start-up problems such as language and transportation difficulties, prevented some job assignments.

9. Changes Are Needed in the Proposed Departmental Review and Evaluation of the Puerto Rico Block Grant. CED-82-50, February 24, 1982

SUMMARY:

GAO reviewed the Department of Agriculture (USDA) Food and Nutrition Service's proposed study of Puerto Rico's transition from the Food Stamp Program to a block grant approach referred to as the Puerto Rico Nutritional Assistance Grant.

GAO believed that the limited objectives of the preliminary study plans did not fully address the grant's primary objective of providing nutritional assistance to the needy and could therefore restrict the usefulness of the data gathered. The Service proposed to (1) develop a case study to describe the conversion from the Food Stamp Program to the grant and (2) estimate the impact of the grant on the participation rates, benefits, and program costs. GAO believed that a complete and timely impact assessment of the new program was important to measure the grant's impact on recipient benefits and participation within Puerto Rico and to assist other states in designing and implementing a nutritional assistance program if the Food Stamp Program is turned back to the states. The second area of concern to GAO was that the methodology section of the proposed plan needed additional development. However, nothing more was to be done to develop the study until Puerto Rico released its operational plan. Some of the methodology for program assessment was independent of program specifics. For example, the preliminary study plan indicated that an abbreviated time-series design would be used to estimate cost impact. Since the time-series analysis was based upon data that were already available, the design detail could have been developed to show that it would provide answers to questions of interest and concern and that the study could be operable when the new program was initiated.

Recommendation: The Secretary of the Department of Agriculture should direct the Acting Administrator of the Food and Nutrition Service to expand and modify the Service's preliminary evaluation plan along the lines discussed in this report to fully address the legislative objectives of the

Nutritional Assistance Grant and to provide for a more comprehensive plan of data collection and analysis.

UPDATE:

The Omnibus Budget Reconciliation Act of 1982 required the Secretary of Agriculture to study the cash food assistance program in Puerto Rico including the program's impact on the residents' nutritional status and the Puerto Rican economy. The findings of the study were reported to the Congress on March 9, 1983. The act also required that, starting in fiscal year 1984, the block grant to Puerto Rico provide food assistance in a form other than cash; however, subsequent legislation suspended, through September 30, 1985, any requirement to implement this provision.

The Food and Nutrition Service decided not to attempt to assess the impact of the grant on the nutritional status of participants in Puerto Rico. It said that the lack of suitable baseline data and the resulting problems in attributing observed changes to the implementation of the grant argued against including this objective in the study plan. Also, the high cost of data collection supported this decision. The Service planned to evaluate operations, costs, and outcome of agriculture projects funded under the grant. It was developing the study, design, and analysis plan for the impact evaluation. Objectives of the study had been defined on judgment of significance, feasibility, data availability, technical merit, and costs. It planned to implement a case study to document the events during the conversion from the Food Stamp Program to the Nutrition Assistance Grant.

10. Expedited Service in the Food Stamp Program. CED-82-59, March 15, 1982

SUMMARY:

GAO was asked to review the use of expedited service in the Food Stamp Program, including (1) the extent to which expedited service was used, (2) the extent of the service's susceptibility to abuse, (3) the impact that it had on administrative case workloads, and (4) suggestions for improving or eliminating the service.

The expedited service provision requires priority processing of new food stamp applications for households considered destitute or with little or no monthly income--such as migrant or seasonal farmworker households. The verification of household circumstances, except for identity or residency, is not to delay delivery of program benefits beyond specified time standards--generally 5 calendar days at present.

The review showed that the number of households applying for food stamps under expedited service varied greatly. The error rate for expedited cases generally was lower than the rate for food stamp cases overall; however, because of such things as the limited number of expedited cases selected for quality control reviews and the inability to locate the participants to obtain needed information, the error rate data may not be accurate. State officials said that the handling of expedited cases disrupted the daily food stamp work schedule and was an administrative burden. Officials in some of the states visited favored changes to the expedited procedures, such as longer application periods (3 working days at that time) and a liquid resource test.

11. Federal Efforts to Simplify the AFDC, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures. HRD-82-72, May 18, 1982

SUMMARY:

In response to a congressional request, GAO reviewed some of the problems associated with the different eligibility, implementation, and other requirements of the Aid to Families With Dependent Children (AFDC), Food Stamp, and Medicaid programs. Specifically, GAO reviewed the quality control (QC) systems used in the administration of these programs and the possibilities of integrating the QC systems.

The AFDC, Medicaid, and Food Stamp programs are jointly administered and financed by federal, state, and in some cases, local governments. Federal regulations broadly define AFDC and Medicaid program requirements which allow the states to structure the programs to meet their specific needs. In contrast, Food Stamp program requirements are defined nationally. At the state level, these programs are generally administered through a single welfare department which translates federal and state regulations into program operating rules and procedures. Federal-state QC systems have been established for the AFDC, Food Stamp, and Medicaid programs to identify and measure the level of erroneous payments and to develop corrective actions to reduce them. According to the Texas Department of Human Resources, separate AFDC and Food Stamp programs (1) require eligibility workers to know and apply different sets of criteria, (2) create the potential for misapplying rules and regulations, (3) cause duplication of effort, and (4) contribute to worker frustration. The Department favors better coordination and consolidation of the programs to improve their efficiency and effectiveness. The Office of Management and Budget, the Department of Health and Human Services, and the Department of Agriculture have developed an integrated QC worksheet, sampling manual, and procedural handbook for the three programs which some

states are using on a test basis. If the tests are successful, all states will be required to use the integrated systems.

12. Food Stamp Program Application Processing Time. CED-82-87, May 21, 1982

SUMMARY:

GAO was asked to provide any readily available information on how long states take to process nonexpedited service or regular cases in the Food Stamp Program and whether processing time for these cases would be shortened if expedited service were eliminated.

State officials provided GAO with estimates of the average number of days it took to process an application or the number of days in which most applications were processed. GAO found that 31 states and the District of Columbia processed regular cases within 15 calendar days. In 8 other states, cases were processed within 22 days, and in 10 states, cases were processed within 30 days as required by food stamp legislation. The number of households applying for food stamps under expedited service varied greatly among the states. In 34 states and the District of Columbia, the percentage of all new cases receiving expedited service ranged from 4 percent to 75 percent. In about half of these states and in the District of Columbia, at least 25 percent of all new cases were receiving expedited service. Food stamp officials in 19 states said that eliminating expedited service would help reduce processing time for regular cases. Officials in 30 other states and the District of Columbia said that eliminating this service would not affect the processing time for regular cases.

13. Use of Scrip Versus Cash in Making Change for Food Stamp Purchases. CED-82-89, May 21, 1982

SUMMARY:

The Food Stamp Act of 1977, as amended, provided that eligible households using food stamps to purchase food may receive cash as change, provided it does not equal or exceed the value of the lowest coupon denomination issued. In response to congressional concern that some food stamp participants may be cashing out food coupons through repeated small purchases, GAO presented information on the use of scrip or credit slips instead of cash as change in food stamp purchases.

A survey by Agriculture's Food and Nutrition Service showed that widespread abuse of the cash change rule did not exist. Cash change given out for small purchases represented less than 1 percent of the total dollar value of food stamp

redemptions by the surveyed stores. Small purchases of 25 cents or less represented about 12 percent of the total number of food stamp purchases at these stores. About 56 percent of the store personnel surveyed said that they did not have any experience with food stamp customers making small purchases of 25 cents or less, and about 20 percent said that cash change abuse was a significant problem. GAO identified four options for making change for food stamp purchases: (1) continue to give cash change, (2) use scrip, (3) use a combination of cash and scrip, and (4) require participants to pay any cost over an even dollar amount or purchase additional food, or allow stores to give only some small amount of cash change (such as 10 cents or so) to give participants some leeway in trading out.

14. Progress Made in Federal Human Nutrition Research Planning and Coordination: Some Improvements Needed. CED-82-56, May 21, 1982
(See Title XIV p. 92.)

15. States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program. CED-82-103, June 16, 1982

SUMMARY:

GAO was asked to obtain information on (1) the states' capability to prevent or detect multiple participation in the Food Stamp Program and (2) how many states did not have a statewide computer system for the Program and what progress these states were making to obtain such a system. In addition, GAO was asked to determine whether the Department of Agriculture (USDA) had authority to require states to develop such a statewide computer system for administering the Program.

GAO found that using computers to match data from different sources is an effective way to detect errors in distributing Food Stamp Program and other income security benefits. The states' capability to routinely perform such checks on an intrastate or interstate basis is largely dependent on their having sufficient equipment, information, and software. GAO noted that, when implemented, several legislative provisions enacted by the Congress would tend to enhance the states' capabilities for computer matching. This included the detection of multiple participation as part of an overall effort to provide efficient and effective program administration. Because the availability of social security numbers is critical to computer matching operations involving both incomes and participation comparisons, states were to be required to obtain and use social security numbers for all participating household members regardless of their age or income status. Subject to the USDA Food and Nutrition Service's approval, the proposed funding regulation would provide 75-percent federal reimbursement for computer system

planning, design, development, and installation costs. GAO also found that (1) 37 states and the District of Columbia had statewide computer systems for administering the Food Stamp Program, (2) 32 of these states could make tests to prevent or detect multiple participation by the head of household, and (3) USDA cannot require states to develop or install a statewide computer system for the program.

16. Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud. RCED-83-40, February 4, 1983

SUMMARY:

GAO conducted a review of the Food Stamp Program to see if improvements have been made in the identification and recovery of overissuances and the adjudication of cases involving alleged fraud since a 1977 report.

During fiscal years 1980 and 1981, the federal government lost about $2 billion through state overissuances of food stamp benefits, and eligible households received about $500 million less than they should have. The erroneous issuances resulted from administrative and recipient errors and fraud. Only about 1 cent of each overissued dollar was recovered. Using semiannual quality control results, the Food and Nutrition Service can project the total amount of overissued and underissued benefits, but it has no reliable data on how many of these errors states identify with specific households. Data from six states indicated that, compared with total estimated overissuances, relatively few specific cases have been identified. GAO stated that the use of computer matching to identify and ultimately recover specific overissuances holds considerable promise, and legislation implemented in recent years provides needed financial incentives to identify more overissuance cases. Although states are required to establish claims against households identified as receiving overissuances, they have not always done so because collection was difficult; however, recent legislation provides financial incentives and in the case of recipient-caused errors in nonfraud cases, requires offsets against benefits to such households still in the program. GAO found that states have not investigated or adjudicated many identified cases of potential fraud because of the problems they perceived in pursuing them and the Service has not acted in a concerted way to solve or lessen barriers to state fraud pursuit.

Recommendations: Congress should amend the Food Stamp Act of 1977, as amended, to require recovery of overissuances by reducing monthly benefits of recipient households regardless of the reason for the improper issuance. Congress should add a new section 13(b)(3) to require states to

promptly take all necessary steps to recover any overissuances from households no longer participating in the program. The congressional legislative and appropriations committees should direct the Secretary of Agriculture to evaluate and inform them of the results of any legislative changes and administrative efforts to improve the identification and collection of overissuances and the potential impact of any additional initiatives being considered in this area.

The Secretary of Agriculture should issue regulations specifically requiring states to identify and correct erroneous issuance cases, either (1) as a by-product of routine program procedures required for other purposes, such as recertifications or (2) through computer matching and other specific identification techniques that can detect multiple program participation and discrepancies in household-reported eligibility/benefit data. These regulations should require that each state, as a minimum, identify erroneous issuances caused by classes of eligibility criteria that quality control results or other available information shows as causing substantial dollar errors in that state. Adequate implementation of this aspect of state operations should be specifically considered by the Service in determining whether administrative sanctions are warranted. The Secretary of Agriculture should explore with the states ways in which error-prone profiles could be used, in conjunction with computer matching and other identification techniques, to pinpoint household circumstances which have high error potential so that states' administrative resources can be directed toward corrective actions that will result in maximum benefits. The Secretary of Agriculture should require the Service to solicit, compile, and distribute to the states information on the availability of different kinds of data files that could and should be used to verify household data items that have a major bearing on program eligibility and benefit levels.

The Secretary of Agriculture should require the Service to revise the present claims report received from the states monthly to include information on the number and value of erroneous issuance cases identified through each of the various identification methods that are available. This information should be assessed and distributed to inform the states of the effectiveness of the different identification methods being used. The Secretary of Agriculture should evaluate each state's performance in establishing and collecting claims. Such evaluations should reveal individual state's, as well as program-wide, strengths and weaknesses in the claims establishment and collection process and provide a basis for a Service determination of whether administrative sanctions are warranted. As a minimum, these evaluations should include (1) a review of the information in states' Status of Claims Against Households reports to assure that all claims and collection activity is reported accurately, (2) systematic reviews of Office of Inspector General

reports, state management evaluations, and other analytical reports and statistical information on the states' success in claims and collection activity, and (3) onsite reviews of the effectiveness of each state's collection techniques, especially the required offset procedure. The Secretary of Agriculture should provide technical assistance, based on evaluation and monitoring efforts and other available information, to improve state claims establishment and collection activity as may be needed. Such assistance should include but not be limited to (1) advice and help to states in developing appropriate accounting systems and controls needed to use the offset procedures most effectively, particularly in cases involving amounts owed from prior periods of households' participation, (2) identification and dissemination of available information on alternative and innovative collection techniques that states use in other programs, and that some states may use in this program, which could be used, or used more, to enhance collection of food stamp overissuances not subject to offset authority, and (3) assistance in implementing alternative collection strategies that hold promise for good results.

The Secretary of Agriculture should determine the extent of recipient fraud within the Food Stamp Program and establish the appropriate level of state pursuit and adjudicative efforts needed to control recipient fraud. The Secretary of Agriculture should require that states' program operating plans include adequate (1) methods and criteria for identifying cases in which a question of fraud may exist, (2) procedures, developed in cooperation with states' legal authorities, for referring to law enforcement officials cases in which a valid reason to suspect fraud exists, and (3) procedures for referring to an administrative fraud hearing process all cases not referred to or accepted for court prosecution for reasons other than insufficient evidence. The Secretary of Agriculture should require states to periodically report pertinent information on their fraud pursuit activities. These reports should include information on all phases of fraud pursuit and adjudication, including the numbers and dollar amounts of all referrals to and from various levels of the investigative and adjudicative processes and the ultimate dispositions of the cases. Such data should identify backlogs in any of the investigative steps or adjudication procedures used. The Secretary of Agriculture should periodically evaluate states' investigation and adjudication efforts to determine whether states collectively and individually are adequately pursuing potential food stamp fraud. The Secretary of Agriculture should assess the problems that state officials have reported or may report as barriers to adjudicating alleged food stamp fraud and, to the extent practical, provide the guidance and technical assistance necessary for resolving or decreasing the adverse effect of those problems.

UPDATE:

In general, Agriculture agreed with the report findings and promised to take the action along the lines recommended. The agency pointed out that many of the issues addressed were being given top priority, but that it could take a couple of years for its efforts to produce results.

In April 1983, the House Committee on Agriculture, Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, asked GAO to testify concerning this report. The Chairman, Senate Committee on Agriculture, Nutrition, and Forestry, introduced a bill that would address the recommendation concerning expanded use of benefit reductions to recover overissuances. It would also require states to take collection action against households no longer receiving benefits. The bill has not been enacted.

17. Small Percentage of Military Families Eligible for Food Stamps. FPCD-83-25, April 19, 1983

SUMMARY:

Adequacy of military pay was of great concern in the late 1970s and early 1980s, particularly as reports surfaced that at least 100,000, and possibly as many as 275,000 military families were eligible for food stamps. In December 1980, and again in April 1983, GAO found that these estimates were grossly exaggerated. For example, in fiscal years 1980 and 1982, only about 1 to 1.3 percent of the total enlisted force of 1.8 million may have been potentially eligible for food stamps, and most of those families qualify only because their government-furnished housing--a specific component of military pay--is not counted as income.

There are some military families, however, who would be eligible for food stamps regardless of their housing status, and the Department of Agriculture (USDA) has provided them with the appropriate information concerning their benefits. GAO noted that, under certain circumstances, especially when one parent is assigned away from home, there is potential for abuse of the program. Inadequate reporting of income and housing status changes also contributes to ineligible families' receiving food stamp benefits.

Recommendations: The Secretary of Agriculture, in consultation with the Secretary of Defense, should propose legislation to amend 7 U.S.C. 2014(d) to require that the value of government-furnished housing be included in the gross income computation for determining food stamp eligibility. This would be consistent with 37 U.S.C. 101(25) which defines regular military compensation as consisting of (1) basic pay, (2) quarters received in-kind or a cash allowance in lieu of quarters, (3) subsistence received in cash or in-kind, and

(4) the federal income tax advantage resulting from the allowances which are nontaxable. Also, the Secretary of Agriculture should issue new guidelines that would ensure that households would not become eligible for food stamps solely because of an active duty-related absence. The Secretary of Agriculture should instruct the food stamp caseworkers that, in addition to any other recertification, they should recalculate food stamp eligibility for all military food stamp recipients at the same time the amount of the annually scheduled military pay raise becomes known.

UPDATE:

The Department of Defense agreed, but USDA disagreed with GAO's recommendations that 7 U.S.C. 2014(d) be amended to require that the value of government-furnished housing be included in the gross income calculation for determining food stamp eligibility. USDA said it was issuing guidelines concerning eligibility based solely on active-duty related absences and recertifications.

18. Public and Private Efforts to Feed America's Poor, RCED-83-164, June 23, 1983
(See Title XI p. 33.)

19. Implementation of Section 191 of the Omnibus Budget Reconciliation Act of 1982, RCED-83-190, July 8, 1983
(See Title XI p. 34.)

20. Federal and State Initiatives Needed to Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs. AFMD-84-18, February 2, 1984

SUMMARY:

Administrative costs in the Aid to Families With Dependent Children (AFDC) and Food Stamp Programs have increased at a more rapid pace then benefit payments to recipients. GAO reviewed the processing of AFDC and Food Stamp applications at 15 welfare offices in eight states. This review was based on a comparison of the productivity of these offices. GAO also examined the impact that inconsistent federal criteria for determining an applicant's income and assets, and different federal time periods for processing AFDC and Food Stamp cases, have on productivity.

GAO found that productivity rates of workers directly involved in processing AFDC and Food Stamp applications varied widely among the 15 welfare offices. This variance resulted primarily from processing practices, which included case-processing methods, use of computers, management expectation of employee performance, and efforts to verify applicants' data. Although the Department of Health and Human

Services considered demographic factors to be a key cause of productivity variances in the AFDC program, GAO determined that they did not have a significant impact on the 15 offices. In addition, GAO found that (1) federal requirements for determining an applicant's income and assets hinder state and local case-processing productivity and (2) federal agencies need to emphasize productivity in much the same way as they have emphasized reducing payment errors.

Recommendations: The Secretaries of the Departments of Agriculture and Health and Human Services should establish a nationwide productivity measurement and reporting system for the AFDC and Food Stamp programs. The Secretaries of the Departments of Agriculture and Health and Human Services should establish a joint mechanism for identifying the best operating practices, including changes in federal laws and regulations, that will facilitate prompt, accurate, and efficient processing for both programs. The Secretaries of the Departments of Agriculture and Health and Human Services should formulate uniform federal financial requirements for measuring incomes and assets, setting common time periods for processing applications and closing out cases, and proposing legislative change as necessary for congressional action.

UPDATE:

USDA and HHS have established a task force to identify and try to standardize best practices and provisions of laws and regulations.

HHS has established a task force to study the feasibility of productivity measurement. USDA has assigned a representative to the task force.

21. Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits. RCED-84-155, April 25, 1984

SUMMARY:

Pursuant to a congressional request, GAO analyzed the error-rate sanction system for the Food Stamp Program and compared it to systems used for the Supplemental Security Income (SSI) and Aid to Families with Dependent Children (AFDC) Programs. Sanction systems are used to hold states, or the federal government, responsible for excessive errors in determining applicants' eligibility and benefit levels.

GAO found that sanction systems for the three programs establish error-rate thresholds for erroneous payments and impose financial sanctions for errors that exceed the thresholds. The three systems differ regarding (1) who is liable and for what, (2) applicable error-rate thresholds, (3) calculation of sanctions, and (4) waiver procedures to reduce

sanction liabilities. For the Food Stamp and AFDC Programs, states are liable for excessive errors involving federal funds. Under the SSI Program, which is administered by the Social Security Administration (SSA), the federal government is responsible for overpayments of state funds by states for which SSA administers state supplements concurrently with federal benefits. The Food Stamp Program uses an error-rate threshold of 9 percent for fiscal year (FY) 1983, 7 percent for FY 1984, and 5 percent for FY 1985. The AFDC Program uses a threshold of 4 percent for FY 1983 and 3 percent for FY 1984 and thereafter. The SSI Program has used a threshold of 4 percent since 1980. For the SSI and AFDC Programs, calculation of sanctions involves multiplying the amount of program benefits by the extent the actual error rate exceeds the threshold. For the Food Stamp Program, sanctions are based on the amount of a state's federally reimbursed administrative costs. Waivers of sanctions are possible under the Food Stamp and AFDC Programs but not under the SSI Program. GAO found that SSA and the Department of Agriculture, which administers the Food Stamp Program, have made extensive use of this authority to eliminate state liability.

22. The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better. RCED-84-94, May 30, 1984

SUMMARY:

GAO reviewed the corrective action process used by the Food and Nutrition Service (FNS) to encourage states to solve Food Stamp Program problems.

GAO found that the Service has taken some actions to help states develop and implement corrective action plans. However, the Service regions had approved some state plans which did not cover all major problems or which proposed corrective actions which were inadequate for solving the problems that were identified. In addition, the Service and the states did not always analyze and summarize all available data to ensure that all identified problems were being addressed in the plans. Of five states reviewed, only one had developed corrective actions for solving most major problems. GAO found that even when corrective action plans included major problems, the planned solutions were not always adequate. Furthermore, because states and Service regional offices failed to analyze and summarize the results of local program evaluations, they were unaware of some problems which needed to be addressed. In addition, the Service did not ensure that states' plans were carried out in a timely manner or that the states monitored the effectiveness of planned actions. Three of the five states reviewed had inadequate procedures for monitoring corrective actions or improperly used such procedures. GAO also found that regional offices lacked clear-cut criteria for determining

when to warn states that federal funds might be withheld due to errors. Finally, GAO found that Service requirements for state management evaluations of local program operations were burdensome and did not cover all recent program changes.

Recommendations: The Secretary of Agriculture should direct the Administrator, FNS, to revise Service regulations to expand the definition of what constitutes a major program weakness that must be included in state corrective action plans. Dollar losses or the percent of affected cases could be a better benchmark in some situations than the number or percent of project areas involved, which is the present criterion. The Secretary of Agriculture should direct the Administrator, FNS, to notify Service regional offices and states that corrective action plans should be comprehensive. All major problems should be included in the plans, and proposed solutions should be sufficient to eliminate or substantially reduce the identified problems. Target dates for initiating and completing planned actions should reflect the relative priority for solving each problem. The Secretary of Agriculture should direct the Administrator, FNS, to obtain and review all state management evaluation reports and the states' analysis of those reports to make sure that states do not omit major problems from their corrective action plans. Doing this should ensure that states follow regulation requirements to analyze results of management evaluations to identify problems that should be addressed in state plans. The Secretary of Agriculture should direct the Administrator, FNS, to assist states to do the amount and type of analysis of program information needed to develop effective corrective action plans. One option might be to extend the Mid-Atlantic Region's error rate reduction analysis and research system to other Service regions and to expand that initiative to include the results of management evaluation reviews as well as quality controls reviews. The Secretary of Agriculture should direct the Administrator, FNS, to analyze at the headquarters level all approved state corrective action plans. Such analyses could give the Service a national perspective on the adequacy of state corrective action plans, offer ideas for further technical assistance, and provide Service headquarters with the information needed to evaluate and guide regional approval of corrective action plans.

The Secretary of Agriculture should direct the Administrator, FNS, to notify the states that corrective actions are to be implemented in accordance with approved dates. The Secretary of Agriculture should direct the Administrator, FNS, to make sure that states adequately monitor and evaluate corrective actions as required by Service regulations. For particularly serious problems, the Service should consider requiring states to send it periodic status reports on actions not yet completed. States not having adequate monitoring and evaluation techniques should be required to

include these as problems in their corrective action plans and correct them just as they would any other program problems.

The Secretary of Agriculture should direct the Administrator, FNS, to develop and issue policy guidance to regions on when to use the formal warning process. The policy guidance should include a list of the most appropriate program problems which the Service believes should be subject to this process. The Secretary of Agriculture should direct the Administrator, FNS, to use the formal sanction warning process as needed to improve states' administration of the corrective action process. It could be used to encourage states to develop comprehensive plans, carry them out in an effective and timely manner, and monitor and evaluate progress toward eliminating or substantially reducing major problems.

The Secretary of Agriculture should direct the Administrator, FNS, to withhold approval of any state requests for establishing management units for review purposes which would materially reduce a state's ability to identify statewide problems. The Secretary of Agriculture should direct the Administrator, FNS, to revise regulations and manuals to streamline and restructure management evaluation requirements and update review coverage. This guidance should help states target their management evaluations on those program areas needing the most attention while ensuring adequate review coverage and consistent review efforts among the states. The Service should, as part of this revision to regulations and manuals, add any review requirements originating from legislative changes adopted since 1980 when the most recent regulations and handbooks were issued.

UPDATE:

The Department of Agriculture agreed that the corrective action process could be improved and said that it would take action to do so. The Department also said it planned to revise its regulations which govern the procedures used for identifying and correcting program problems.

23. Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity. RCED-84-112, September 11, 1984

SUMMARY:

Since 1981, benefit overissuances caused by recipient errors or fraud and state food stamp agency errors have cost the federal government about $1 billion annually. GAO made a review to determine whether the Food and Nutrition Service's and the states' wage-matching efforts had effectively addressed the overissuance problem. GAO also looked at the Department of Health and Human Services' (HHS') Aid to

Families With Dependent Children (AFDC) Program because it has a similar wage-matching requirement.

The five states GAO reviewed did not have adequate systems for identifying participants who had not accurately reported their earned income. While they did have automated systems for determining applicants' eligibility and monthly benefit amounts, only one state (1) retained computerized records of participants' prior period earnings needed to conduct automated wage matching, (2) could more efficiently identify cases with potentially large income errors, and (3) could focus local offices' follow-up on those cases. In contrast, local offices in the other four states were faced with the time-consuming task of manually comparing external wage data for each wage match case with earnings data in individual food stamp casefiles. GAO also found that the coverage of states' wage-matching operations to identify potential overissuances needed to be improved and that the effectiveness of wage matching could be increased if the Service established uniform dollar criteria for referring potential overissuance cases for follow-up.

GAO reviewed 713 wage match cases referred to 14 local food stamp offices in five states. Four hundred and forty-six of these cases involved wage differences ranging from $80 to $6,011 between external wage data and participant-reported earnings in food stamp casefiles for the 3-month match period. The potential unreported income for the 446 cases for these match periods was about $404,000--just over $900 a case.

In about 10 percent of the cases with wage differences, current benefits were adjusted, and claims for previous overpayments were established, as appropriate. For the remaining wage-difference cases, however, local offices did not, as required, (1) take any follow-up action, (2) accurately compare external wage data with casefile earnings data, (3) resolve differences between the two income sources by confirming amounts with employers or participants, or (4) establish claims for verified overissuances.

State officials said that the strain on local office staff created by manual match operations and the relatively higher priority of other program requirements were responsible for inadequate follow-up. Also, the Service and the states GAO reviewed had not provided adequate guidance and training so that food stamp workers would make more accurate use of external wage data. Additionally, states did not effectively monitor local offices to determine how well they were using external wage data.

The Service and two of the five states had not prepared detailed instructions on the procedures or time frames that should be met to maximize wage-matching benefits. In the

other three states, guidance was either incomplete or had not been made available to all local staff. Relatively few of the local caseworkers GAO interviewed had received formal training on wage match follow-up activities.

State and Service regional officials said that improvements were needed in instructional materials, training, and state action to check the accuracy of local offices' work. Three states told GAO that they were revising or planned to revise their manuals to provide more specific instructions for wage match follow-up procedures. GAO believes that these problems with wage matching could be reduced through additional automation and better guidance and training for local follow-up efforts.

Of the food stamp households that GAO identified as having potentially unreported income, about one-third also had received AFDC benefits based on potentially inaccurate income data. GAO found that states experienced similar problems in carrying out AFDC matching operations.

GAO believes that it would be practical for Agriculture and HHS to work cooperatively to improve states' matching operations because states acquire external wage data from the same sources and use similar matching techniques for both programs. Also, many participants were receiving benefits under both programs, and states commonly used the same offices, even caseworkers, to administer both programs.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Food and Nutrition Service (FNS) to issue policy guidance to improve the efficiency of states' wage-matching systems for identifying and referring for follow-up specific cases involving potential overpayments. This initiative should (1) describe the most efficient automated methods for identifying participants who have not reported their total income, (2) require states to expand wage match coverage, and (3) establish dollar criteria on the amounts of potential income errors which require local office follow-up. In doing this, the Service should work cooperatively with the Department of Health and Human Services (HHS) which administers the AFDC Program. The Secretary of Agriculture should direct the Administrator, FNS, to modify Service regulations concerning increased federal participation in states' cost to develop, install new, or upgrade existing computer systems to require that states' systems retain historical data on participant-reported earnings. The Secretary of Agriculture should direct the Administrator, FNS, to work with states which already have computer capability to establish and implement systems to conduct automated comparisons of external and participant-reported wage information for the same calendar period.

The Secretary of Agriculture should direct the Administrator, FNS, to modify Service regulations and establish policy guidance to set forth specific Service expectations regarding state follow-up actions. This should include details on how wage match follow-up work should be conducted, reasonable time frames for completing follow-up actions, and the types of management controls necessary to make sure that accurate and timely follow-up actions are taken. The Service regulations should stipulate that state procedures must provide for (1) comparing external earnings information with participant-reported earnings as shown in food stamp records applicable to the same time periods, (2) obtaining supporting documentation on actual earnings for the match period and, as appropriate, for any other past or subsequent months the participant received benefits, and (3) establishing claims and adjusting current benefits within a specific time period.

UPDATE:

The Department of Agriculture (USDA) and HHS agreed on the need to work cooperatively to improve their wage matching operations. In addition, USDA agreed that the effectiveness of states' wage matching could be improved and that it would continue to allow states maximum flexibility in conducting their wage-matching operations. Also, USDA agreed that systematic follow-up action was a necessary step to make wage matching an effective tool and said that its experience did not reveal any single approach that would be more preferable than others for carrying out follow-up or other key wage-match operations. However, USDA, has not yet implemented GAO's recommendations.

24. Quality Control Error Rates For The Food Stamp Program. RCED-85-98, April 12, 1985

SUMMARY:

The Department of Agriculture holds states financially liable (sanctions them) for errors in determining food stamp benefits. Each state reports its program error rates to Agriculture based on a sample of food stamp cases it reviews. Agriculture validates these state-reported data, makes any necessary adjustments to produce an official error-rate estimate, and uses this estimate as its basis for sanctioning a state.

Because these error rates are estimates, the actual rate could fall anywhere within a specified range, called a confidence interval, around the estimate. GAO calculated the confidence intervals around the fiscal year 1983 error rates of 38 states, based on data available as of March 15, 1985. GAO found that fiscal year 1983 sanctions for these states could range from $686,300 to $15,697,300, depending upon which

point in the confidence interval was used. By using the midpoint, as Agriculture does, GAO estimated that sanctions for the 38 states would amount to $6,697,300. Agriculture had not finalized its official state error rates and sanctions at the time of GAO's review.

GAO also analyzed state error rates and found that the rate of food stamp overissuances declined somewhat from fiscal years 1980 through 1983, while the rates for underissuances and improper denials/terminations of food stamps to eligible recipients remained relatively stable.

25. Overview and Perspectives on the Food Stamp Program. RCED-85-109, April 17, 1985

SUMMARY:

The Department of Agriculture's Food Stamp Program cost the federal government almost $12 billion in fiscal year 1984 and served an average of about 21 million persons a month. In recent years the Congress and Agriculture have been searching for ways to improve the program's integrity, curb spending, and enhance efficiency. At the same time, the increased number of persons that Bureau of the Census data show to be falling into the poverty category has created additional pressure to maintain and improve food assistance benefits for the needy.

To assist in congressional deliberations on reauthorizing the Food Stamp Program as part of the 1985 farm bill, GAO has highlighted five major program issues: program accountability and integrity, program simplification, nutritional adequacy, interrelationship with other food assistance programs, and program coverage and eligibility. For each issue, GAO's report discusses the principal concerns it sees, what has been done regarding those concerns, and what more should be considered or done.

TITLE XIV - NATIONAL AGRICULTURAL RESEARCH, EXTENSION, AND TEACHING POLICY ACT AMENDMENTS OF 1981

1. Analysis of Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs. CED-81-81, March 9, 1981 (See Food Assistance Section p. 125.)

2. Status Report on U.S. Participation in the International Fund for Agricultural Development. ID-81-33, March 27, 1981

SUMMARY:

The International Fund for Agricultural Development (IFAD) was established as a specialized agency of the United Nations to mobilize an additional $1 billion to attack the problem of world hunger. Contributions to IFAD were to be equitably shared by countries of the Organization for Economic Cooperation and Development and by countries of the Organization of Petroleum Exporting Countries. IFAD is expected to commit its available funds by mid-1981 and is seeking a replenishment to continue its operations. The two groups of donors have been unable to reach an agreement on equitable burden sharing.

IFAD operations have been consistent with its Articles of Agreement and U.S. objectives. Some concern was expressed initially regarding duplication of work of existing multilateral development institutions, thereby becoming another international lending bureaucracy. The Articles provided assurance that this would not occur. To avoid duplication, IFAD has entered into cooperative agreements with several international institutions. These cooperative agreements permit IFAD to draw upon the services and experienced staffs of the organizations to assist in the identification, preparation, and administration of its agricultural project loans. The size of the IFAD staff was originally planned to remain small, with only 25 to 30 professionals. The staff has grown considerably and now exceeds this amount significantly. The Congress has expressed concern over the excessive growth resulting from the project cycle involved. Each project goes through four basic stages: (1) identification, (2) preparation, (3) appraisal, and (4) implementation and supervision. IFAD officials indicated that the staff would probably continue to grow at a modest rate as the IFAD loan and grant portfolio grows. IFAD operates with multilateral development banks (MDB), and the Department of Treasury expects IFAD projects to do well under MDB supervision. Officials of other agencies feel it is too soon to venture an opinion on the outcome of IFAD projects.

3. The Department of Agriculture Can Minimize the Risk of Potential Crop Failures. CED-81-75, April 10, 1981

SUMMARY:

GAO reviewed the need for improved management of plant genetic resources to minimize crop damage due to disease, insects, or adverse weather conditions. The Department of Agriculture (USDA) has a number of programs meant to reduce the risks resulting from the vulnerability of crops.

Because producers use relatively few high-yielding varieties, plant vulnerability has increased over the past 50 years. A group of federal, state, and private programs called the National Plant Germplasm System has been established to reduce the vulnerability and to further improve plant varieties. However, this system lacks a sense of direction and purpose and does not have effective, centralized management. The problems experienced by the system in the collection, storage, and maintenance areas included (1) the lack of systematic collection of new germplasm (genetic stock), (2) inadequate storage facilities, (3) incomplete and sporadic evaluation of the distinguishing characteristics of stored germplasm, and (4) possible permanent loss of some genetic stock which is not regularly replenished by periodic growing out of seed. Critical policy questions have not been addressed, indications are that germplasm protection and preservation mechanisms are inadequate, and comprehensive plans have not been made to cope with present and future problems.

Recommendations: The Secretary of Agriculture should centralize authority over the federal portion of the National Plant Germplasm System with that central authority having responsibility for all USDA-funded germplasm activities. GAO was not recommending that program activities be collapsed, but that management authority for planning, budget, and personnel be centralized, possibly within the Science and Education Administration. Until such action is taken, the major issues of genetic vulnerability and variability cannot be effectively addressed. The Secretary of Agriculture should direct that the National Plant Germplasm System's first priority be development of a comprehensive, long-range plan addressing (1) assessment of the genetic vulnerability of major crops, (2) determination of the gaps in current germplasm collections in terms of availability and evaluation, and (3) assurance that stored germplasm is available by making sure that the stock is evaluated, that an information system is in place so that the information can be disseminated, and that, when necessary, prebreeding is done so that desirable genetic characteristics from otherwise undesirable types are transferred into a more suitable genetic background.

UPDATE:

USDA took steps to implement our recommendations during 1981. A task force within the USDA developed a long-range plan for protection and enhancement of plant genetic

resources. This plan was completed in January 1983. USDA centralized management of the federal position of the National Plant Germplasm System and has taken positive steps to increase management attention to the system by raising the reporting level of the system coordinator.

4. Long-Range Planning Can Improve the Efficiency of Agricultural Research and Development. CED-81-141, July 24, 1981

SUMMARY:

GAO reviewed the long-range planning for agricultural research and development which was being conducted by the Department of Agriculture (USDA), other affected agencies, and the states.

GAO found that the U.S. agricultural research and development system did not perform national long-range planning which would meet generally accepted definitions of such planning. The key participants in the system engaged in long-range planning only to a very limited extent. No rationale for long-range planning had been developed, and past planning efforts had not resulted in long-range plans. Some planning, but not long-range planning, was occurring. Many of the parties in the agricultural research and development system supported the concept of national long-range planning, but a number of factors inhibited such planning. The states and USDA worked together, coordinated research, and exchanged extensive amounts of information. These efforts were independently managed and planned. The challenge of potential food shortages in the future make long-range planning more and more essential. The long-range planning that did occur was done almost exclusively by USDA and focuses on in-house research. Planning efforts dealt primarily with short-term or operational planning. The authority and management for individual research projects was split among federal, state, local, and private authorities. This fact, frequent changes in departmental leadership, and limited executive interest and guidance made long-range planning extremely difficult. Current agricultural research is not directed or influenced by a long-range plan.

Recommendation: The Secretary of Agriculture should develop an agency-wide long-range plan for agriculture research and development.

UPDATE:

The Congress amended title XIV of the Food and Agriculture Act of 1977 to require the Secretary or Agriculture to take the initiative on overcoming barriers to long-range planning by (1) developing, in conjunction with the states, state cooperative institutions, the Joint Council on Food and Agricultural Sciences, the National Agricultural Research and

Extension Users Advisory Board, and other appropriate institutions, a long-term needs assessment for foods, fiber, and forest products and (2) determining the research requirement necessary to meet those needs.

USDA agreed that long-range planning is one of the ways to maintain and improve agricultural research and development and agreed to conduct a food and agriculture needs assessment as a first step. In 1983, USDA developed a long-range plan as the basis for future research management. The plan consisted of a strategic plan, a 6-year implementation plan for the period 1984-1990, and operational plans which support the strategic plan.

5. Cooperative Extension Service's Mission and Federal Role Need Congressional Clarification. CED-81-119, August 21, 1981

SUMMARY:

The Cooperative Extension Service is the largest education system of its kind in the world. It is active in rural, suburban, and urban communities and, in addition to agricultural and home economics programs, offers programs in social and economic problems and cultural, recreational, and leisure-time activities. The Extension Service was established in 1914 primarily to provide farmers with information from agricultural research and to encourage them to adopt improved farming methods. Recently, its programs have expanded to include instruction in arts and crafts, recreation, creative and performing arts, and mental and emotional health. GAO reviewed the Extension Service to determine whether its programs were meeting their basic missions.

As more programs vie for Extension Service resources, disagreements have occurred over what its mission should be. Some groups feel that it is ignoring their needs; others say it is trying to be all things to all people. GAO stated that, because the demands for the Extension Service's programs are great and its resources are limited, its available resources need to be used as efficiently as possible. GAO also stated that the Department of Agriculture's (USDA's) Federal Extension Service, the federal agency involved, should assume a more active leadership role in the Extension Service program development. GAO concluded that improved performance and impact measurement is needed to determine whether extension programs are effective. There are no comprehensive Service-wide evaluation requirements due to a lack of a central office to clearly define such standards. GAO believes that USDA is the natural place within the organization from which to provide leadership and direction in evaluation.

Recommendations: The appropriate congressional committees should consider the role that they want the USDA Federal

Extension Service to play in providing extension program leadership and guidance. The appropriate congressional committees should examine the Cooperative Extension Service's mission. As part of this process, the committees could direct the Secretary of Agriculture to prepare, in cooperation with the Extension Committee on Organization and Policy, an updated statement of the Extension Service's mission. The committees could require this statement to contain explicit mission objectives and priorities and to be submitted to them for their information and review. The committees could also require the Extension Service to provide periodic progress reports on meeting its goals and objectives. In addition, the committees could also hold oversight hearings on the Cooperative Extension Service to review current extension programming and to consider and focus on the mission that the committees want carried out. The hearings could provide the basis to develop legislation, if necessary, to more clearly define the Cooperative Extension Service's mission.

The Secretary of Agriculture should assume leadership, in cooperation with the Extension Committee on Organization and Policy, for developing and implementing a uniform accountability and evaluation system for the Cooperative Extension Service. The system should include provisions for planning and coordinating accountability and evaluation activities throughout the Extension Service. The Secretary of Agriculture should direct the Administrator of the Federal Extension Service to become more involved with the states in the total extension program development process. This includes (1) determining, in cooperation with the Extension Committee on Organization and Policy, national extension program priorities and goals, (2) providing leadership in getting states to implement extension programs which address national extension priorities, and (3) interacting with states in developing as well as reviewing work plans.

UPDATE:

In 1981, the House Agriculture Subcommittee on Department Operations, Research, and Foreign Agriculture undertook an examination of the Extension Service. USDA agreed to assume leadership responsibility for developing and implementing a uniform accountability and evaluation system for the Extension Service. To help provide this capability, an evaluation and accountability program unit was established within the Extension Service. A special Joint Study Committee was appointed by the Secretary of Agriculture and the President of the National Association of State Universities and Land-Grant Colleges to review and restate the roles and responsibilities of each of the partners in Cooperative Extension and to produce a document to serve as a guide for the future mission, scope, priorities and policies of the Cooperative Extension

Service. In 1983, the Committee produced a report entitled Extension in the '80's--A Perspective for the Future of the Cooperative Extension Service.

6. Better Collection and Maintenance Procedures Needed to Help Protect Agriculture's Germplasm Resources. CED-82-7, December 4, 1981

SUMMARY:

All primary crops grown in the United States have been selectively developed from stock--or germplasm--native to other countries. Over the years, the genetic base of this nation's crops has become increasingly narrow, presenting a potential danger to U.S. crop production. If genetically uniform characteristics in plants are suddenly adversely affected by disease, insects, or poor weather, the potential crop losses could be substantial. A 1972 National Academy of Sciences study characterized American crops as highly vulnerable to loss due to genetic uniformity. To help protect against such loss, the Department of Agriculture (USDA) established the National Plant Germplasm System to help preserve the base stock of domestic and wild food plants as a basis for breeding high crop yields and developing resistance to disease, insects, and poor weather. This is a cooperative system involving USDA, state experiment stations, and private germplasm preserves. GAO reviewed USDA's storage, collection, and maintenance procedures to determine if the germplasm system did protect against catastrophic loss.

GAO found that the system has numerous operational problems, primarily because of a lack of departmental attention and a low priority given to improving the system. Germplasm has become a high priority item in USDA's fiscal year 1982 budget, but whether sufficient funds will be provided to correct these problems remains to be seen. USDA's insufficient management attention to germplasm collection, storage, and maintenance has endangered germplasm preservation within the United States. Although there has been increased emphasis in USDA's germplasm management during 1981, serious deficiencies within the system needed to be addressed in order to have a viable germplasm resource.

Recommendations: In view of the priority USDA has given to the germplasm program, GAO recommends that the Secretary of Agriculture address the operational problems of the National Plant Germplasm System. These actions should include identifying all curators; implementing a policy for backup storage; determining the viability of the small grains collections; and assuring that germplasm is adequately stored, monitored, and replenished as needed.

UPDATE:

USDA has completed a survey that indicated that germplasm is stored under conditions adequate to maintaining safe levels of viability and has initiated projects to implement backup storage. The entire Small Grains Collection has been inventoried and is in the computer. The National Seed Storage Laboratory (NSSL) is providing germination testing for all curated collections because USDA concluded that their testing can be effectively accomplished at least cost by centralizing their responsibility in the NSSL. Inventories have been taken of the status of collections with regard to germplasm replenishment needs and have been ranked and programmed for action in keeping with available funds.

7. Agency Responsibilities to Keep Informed of Personnel Needs in the Food and Agricultural Sciences. CED-82-25, December 28, 1981

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA's) activities in carrying out its responsibility to keep abreast of personnel needs in the food and agricultural sciences. The objective of the review was to assess how well USDA fulfilled its duties as defined in the Food and Agriculture Act of 1977.

GAO found that the USDA Office of Higher Education worked with university representatives to identify issues and concerns related to the need for graduates in the food and agricultural sciences, including the development of supply/demand analyses. GAO believes that USDA needs to interact with industry and federal agencies which use food and agricultural science personnel and obtain their input on personnel requirements. Interaction and input are necessary if USDA is to obtain a complete and up-to-date profile of the supply/demand picture and manpower development requirements for food and agricultural science industry personnel.

Recommendation: The Secretary of Agriculture should instruct the Office of Higher Education to interact with a cross-section of organizations, government agencies, industry, and universities that employ graduates trained in food and agricultural related sciences.

UPDATE:

USDA said that it will obtain input from agricultural industry representatives as well as interact with other federal agencies in developing future assessments of food and agricultural science personnel needs.

8. Progress Made in Federal Human Nutrition Research Planning and Coordination: Some Improvements Needed. CED-82-56, May 21, 1982

SUMMARY:

In response to a congressional request, GAO reported on the planning and coordination of federally supported human nutrition research.

Considerable progress has been made within and among federal human nutrition research departments and agencies since Congress called for improved coordination in the Food and Agriculture Act of 1977. The Office of Science and Technology Policy (OSTP) has been a major contributor to, and a catalyst for, improved coordination of nutrition research and has set the groundwork for developing an improved federal coordinated nutrition research planning system. The Department of Agriculture (USDA) and the Department of Health and Human Services (HHS) have established nutrition coordinators and policy and coordination groups to deal with crosscutting nutrition issues. GAO believes that these coordination efforts should be continued and maintained as some of the federal departments reorganize or revise their nutrition research programs. Coordination within USDA is critically needed because of the recent decentralization of its nutrition information functions from its nutrition research functions. Nutrition research departments and agencies need to more clearly plan their research efforts with others through a federal nutrition research plan. An OSTP report on human nutrition research is a first step toward developing such a plan, but the six areas discussed in the report should be developed and expanded into a single research plan which would include an assessment of needs, priorities, and strategies. Existing agency nutrition research plans are either too narrow in scope or are missing certain key planning components.

Recommendations: The Director of OSTP should direct the OSTP Joint Subcommittee on Human Nutrition Research to develop a federal nutrition research plan by updating and expanding its December 1980 report on federally supported human nutrition research. In updating the report, the Subcommittee and the federal departments and agencies should work together to develop specific goals, objectives, and strategies and to identify the responsibilities of the federal departments and agencies and the required resources and time frames to accomplish the research goals.

UPDATE:

The OSTP Joint Subcommittee on Human Nutrition Research is developing a strategy and schedule for the timely development of the kind of plan envisioned in the GAO report. OSTP officials expect to complete the plan by May 1985.

9. Federal Agricultural Research Facilities Are Underused. RCED-83-20, January 14, 1983

SUMMARY:

GAO reviewed the use of federal agricultural research facilities operated by the Department of Agriculture's Agricultural Research Service (ARS) and its effect on ongoing research.

GAO found that, despite the underuse of existing laboratories, new laboratories are under construction and others are being planned. These additional facilities could further reduce the overall rate of use because the ARS personnel ceiling is not expected to rise in the foreseeable future. Furthermore, staffing for new laboratories may be at the expense of existing ones. To fully use its existing research facilities, ARS would require a substantial increase in its annual appropriations and higher personnel ceilings. ARS has closed some facilities and transferred staff to other locations to improve facility use. In response to the administration's directive to all civil departments to identify low priority activities for elimination, ARS developed plans, that were under internal discussion, to close up to 12 research facilities. Long-term planning and good justification for closures are necessary before research laboratories can be closed. New facility construction or major expansion of existing space should be tied to long-range research goals and objectives.

Recommendations: The Congress should not consider authorizing or providing funds for additional research facilities until ARS has completed its planning process and the Congress has had an opportunity to study those plans given the currently underused research facilities, the unlikely prospects for personnel ceiling increases for ARS, and the congressional mandate to conduct a long-range needs assessment and determine the research necessary to meet those needs.

The Secretary of Agriculture should develop a plan to consolidate agricultural research activities at fewer locations, thereby allowing greater scientist interaction and more efficient use of equipment, facilities, and administrative resources. The plan also needs to address research priorities, personal and career plans of ARS employees, the costs of relocating employees, and the potential sales values of unneeded laboratories. The Secretary of Agriculture should submit the plan to the appropriate committees of the Congress for their review and comments.

UPDATE:

ARS agreed that the report was correct with regard to space utilization. ARS has closed some facilities but, because of political and local pressure, others are still

operating that would have been discontinued and the resources redirected to higher priority research. ARS has developed a long-range plan as the basis for future research management. The long-range plan consists of a strategic plan, a 6-year implementation plan for the period 1984-1990, and operational plans which support the strategic plan. Laboratory needs, including suggested consolidations and closures, were considered and included as part of the overall plans. The plans were submitted to Congress as part of the 1984 appropriations process and implementation began early in fiscal year 1984.

10. Agricultural Economics Research and Analysis Needs Mission Clarification. RCED-83-69, January 31, 1983

SUMMARY:

GAO examined the Department of Agriculture (USDA) Economic Research Service's (ERS's) economics research and analysis activities. GAO made its review in terms of ERS's overall mission and program priorities and its relationship to that of state land-grant institutions. GAO also reviewed USDA activities with regard to planning, priority setting, and coordination of public sector agricultural economics research and analysis.

GAO found that there is a disagreement within the agricultural community on the roles of ERS and the land-grant institutions' departments of agricultural economics. Contributing to this problem is the lack of clear roles between ERS and land-grant institutions in their economics research. A systematic determination of research needs is important because some research needs must be given higher priorities than others. However, very little has been done to plan for, set priorities for, or coordinate overall public sector agricultural economics research and analysis activities. Decisions are often made on an ad hoc basis with little coordination between USDA and the land-grant institutions. GAO concluded that, during the past few years, ERS has conducted socioeconomic research which GAO believes is questionable from a subject matter perspective, while other priority research and analysis needs have not been given adequate attention.

Recommendations: The Secretary of Agriculture, in cooperation with the state land-grant institutions, should (1) examine and clarify the federal role in agriculture economics research and analysis, including the ERS role in relation to that of the land-grant institutions and (2) prepare a statement of the ERS mission and role in relation to the state land-grant institutions and submit it to the appropriate congressional committees for their information and review. The Secretary of Agriculture should provide leadership in planning and coordinating agricultural economics research and analysis by directing the Administrator, ERS, to

actively encourage joint program planning for, and coordination of, agricultural economics research and analysis with the land-grant institutions as well as other interested federal and state agencies.

UPDATE:

ERS recognized the need to work with the land grant universities to clarify the ERS research role. As part of this effort, ERS established a new position, Deputy Administrator for Planning and Organizational Relations. ERS is preparing a new mission statement and plan which is expected to be released as a public document in the spring of 1985. ERS is using coordinating mechanisms to enhance planning and cooperation between ERS and the land-grant universities.

11. Research and Extension Programs to Aid Small Farms. RCED-83-83, February 9, 1983

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA's) actions to implement the recommendations made in a 1975 GAO report to ensure that small-farm research and extension programs are practical, beneficial, and cost-effective.

The current GAO examination showed that research and extension services have been increased and that data collection activities have been expanded since the 1975 GAO report. However, to date USDA has neither (1) developed data on the overall costs and benefits of small-farm extension activities nor (2) adequately encouraged state extension services to establish procedures to identify small farmers most in need of assistance and to establish action plans to improve the participants' farming skills.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Federal Extension Service to work, cooperatively with the state extension services, to develop (1) guidelines for carrying out special small-farm extension programs in a way that will provide technical assistance to the maximum number of small farmers and (2) a means to collect data on and estimate the costs and benefits of small-farm extension program activities.

UPDATE:

USDA officials stated that special emphasis would be given to developing guidelines which would enable the Federal Extension Service to reach increased numbers of small farmers and assess the potential audience for these programs. Also, as part of the ongoing accountability and evaluation activities connected with the extension programs, USDA will collect additional data on small farm programs and estimate the costs

and benefits of small farm extension program activities. Much of this will be done by having individual states perform impact studies regarding their programs with small farm operators.

12. Federal Agricultural Research Funding: Issues and Concerns. RCED-84-20, October 20, 1983

SUMMARY:

Pursuant to a congressional request, GAO studied the regional distribution of federal agricultural research funds administered through the Department of Agriculture (USDA) and obtained the views of state and federal research leaders on agricultural research funding issues. The U.S. food and agricultural research system encompasses (1) the USDA Agricultural Research Service, (2) the state agricultural experiment stations which are part of land-grant universities, and (3) the food and fiber industry.

GAO found that (1) both regional distribution of federal agricultural research funds and funding by the states varied widely depending on the specific research program and (2) interviews with officials at 14 land-grant universities indicated that both federal formula and competitive grant funds for their research programs were favorably received, and any changes in formula allocation would generally be opposed.

TITLE XV -- RESOURCE CONSERVATION

1. Congressional Action Needed to Provide a Better Focus on Water-Related Research. CED-81-87, June 5, 1981

SUMMARY:

The nation faces serious water problems in the West and certain other areas of the country. Developing and implementing technologies that conserve or augment water supplies could help alleviate these problems. These efforts and other water-related research and development activities are fragmented among 28 federal organizations that plan to spend about $380 million during fiscal year 1981.

A comparative assessment of conservation and augmentation technologies is needed to establish water research priorities and allocate the research funds. GAO found considerable disagreement as to which technologies have the most potential for solving water supply and quality problems. There appears to be no correlation between the potential of some technologies and their relative level of federal funding. Before assessing the various technologies, regional and local water problems and potential alternative solutions should be identified. The comparative assessment should also identify and evaluate the impact of technical, environmental, legal, and social obstacles on each technology's potential. Formal plans should be developed on the basis of the results of the comparative assessment. GAO found that some agencies had not prepared formal plans; others had prepared plans that lacked many elements; plans did not provide for periodic independent evaluations; and many plans lacked specific, measurable objectives and estimated completion dates. GAO examined the advantages and disadvantages of various organizations having the responsibility for coordinating water research.

Recommendations: The Congress should amend section 406 of the Water Research and Development Act of 1978 to require the Water Resources Council (WRC) to coordinate water-related research provided the Congress believes it desirable to have an independent, full-time WRC chairperson and resolves the issue of continued existence of WRC. Otherwise, the Congress should amend section 406 to establish a water resources research committee reporting directly to the Office of Science and Technology Policy. This committee should be composed of representatives from the major federal organizations involved in water resources research. The Congress should amend section 406 of the Water Research and Development Act to require the federal organization the Congress chooses to coordinate research to (1) establish priorities for water conservation and augmentation technologies on the basis of the results of overall comparative assessments of these technologies, (2) provide leadership and guidance to other agencies in developing formal multi-agency and single-agency plans for the

technologies with specific objectives, milestones, technology transfer goals, and provisions for independent, periodic evaluations, (3) make recommendations annually to the Congress concerning the adequacy of the funding levels of water research, development, and technology transfer activities, and (4) consider the data developed pursuant to section 103 of the act in coordinating research and establishing research priorities.

UPDATE:

Legislative provisions to create a coordinating body for federal water research were passed by the House during the 98th Congress; however, it did not pass the Congress. Prospects for its introduction or passage in the 99th Congress are uncertain.

2. Continuation of the Resource Conservation and Development Program Raises Questions. CED-81-120, August 11, 1981

SUMMARY:

GAO reviewed the Department of Agriculture's Resource Conservation and Development (RC&D) program and the administrative and legislative changes needed to improve the control and operation of the program.

GAO was unable to develop a clear picture or determine the overall benefits under the program because program accomplishments are not clearly distinguishable at either the project or measure level. (Project is an area where activity will be performed. Measure is a specific activity to be done in an area such as erosion control.) The principal problems involved lack of useful data, the intangible nature of some benefits, and varying or unknown degrees of project involvement. GAO was able to obtain cost information on the program overall and on each project but not on individual project measures. Pertinent technical assistance costs were not shown for individual measures. The omission of technical assistance costs in reporting completed measures seriously limited any attempt to evaluate the program's benefits in relation to its costs. Funds appropriated for cost sharing with local sponsors under the program have been used to finance many measures for which other federal programs have been established. Once projects are authorized, they remain on the rolls indefinitely. Federally assisted sub-state planning organizations have the potential to become an alternative delivery system for activities carried out under the program because they perform many of the same functions. Some projects' area plans which specify goals, objectives, and measures to be undertaken, have not been updated as required by program procedures.

Recommendations: If the Congress decides to continue the RC&D program, it should legislatively direct the Secretary of

Agriculture to establish several pilot projects where sub-state organizations would assume the functions of RC&D projects. Upon completion of such tests, the Secretary should be required to provide Congress an evaluation of the test results with such recommendations as may be indicated for transferring additional RC&D projects functions to sub-state organizations or the reasons for retaining the functions within the existing RC&D program structure. If Congress decides to continue the RC&D program, it should legislatively require the Secretary of Agriculture to establish procedures for periodically reviewing project operations and deauthorizing projects which are no longer active or have developed the capabilities necessary to continue operating without federal involvement. If Congress decides to continue the RC&D program, it should legislatively discontinue the use of program funds for installing project measures currently authorized for financing under cost sharing arrangements.

The Secretary of Agriculture should require the Soil Conservation Service to develop and incorporate an approved evaluation procedure into the program's management process. The Secretary of Agriculture should require the Soil Conservation Service to monitor the program more closely to assure that the projects' area plans are up to date and reflect any changed conditions in project circumstances. The Secretary of Agriculture should require the Soil Conservation Service to improve its program information system to provide data which would permit better assessment of project benefits. The Secretary of Agriculture should require the Soil Conservation Service to account for and identify the costs of providing technical assistance for each project measure.

UPDATE:

The Agriculture and Food Act of 1981 (P.L. 97-98) established an RC&D program and provided for the deauthorization of projects and for cooperative agreement with states and local units of government. These provisions are in keeping with the recommendations. However, it continued to authorize the use of program funds for cost-sharing arrangements with RC&D projects and did not make a provision for test programs at the local level.

In November 1981, Agriculture said that the administration's budget policy for RC&D was to discontinue the program. On January 7, 1982, officials of the Soil Conservation Service, which administers the RC&D program, stated it plans to issue regulations to implement the provisions of the Agriculture and Food Act of 1981 and make revisions to its RC&D Program Handbook in accordance with the recommendations. In January 1985, SCS advised GAO that funds were not being requested for continuation of this program in fiscal year 1986

and that the issuance of regulations were being held in abeyance. However, the RC&D Program Handbook was issued in November 1984.

3. Comments on the U.S. Department of Agriculture's 1981 Program Report and Environmental Impact Statement. CED-82-41, January 29, 1982

SUMMARY:

In response to the Secretary of Agriculture's request for comments, GAO reviewed the revised draft report outlining the Department of Agriculture's (USDA's) proposed national soil and water conservation program.

Although USDA has spent considerable effort in reviewing the adequacy of the nation's soil and water resources, it will not have the basis for the effective program intended by the Soil and Water Resources Conservation Act until it (1) conducts a thorough assessment of soil and water resource conditions to better define the problem, (2) evaluates sufficient alternatives for conserving U.S. soil and water resources, (3) analyzes the impact of other government programs on soil and water resources to ensure the best use of limited resources, and (4) avoids duplication of effort among federal agencies. The proposed program could be an ineffective and costly solution, and a better analytical framework is needed to meet the requirements of the act. GAO provided guidelines that could assist USDA in obtaining information needed to develop an effective program to improve resource conditions within limited budget resources.

4. Department of Agriculture Could Do More to Help Farmers Conserve Energy. EMD-82-30, September 30, 1982

SUMMARY:

In response to a congressional request, GAO reviewed energy conservation measures which farmers could adopt in the near-term and federal efforts to assist farmers in adopting such measures.

GAO reported that energy conservation measures that farmers can adopt in the near-term include (1) more efficient water management, which can conserve both energy and water in the irrigation process, (2) conservation tillage to reduce the number of tractor trips across a field and thereby reduce fuel requirements, and (3) more efficient use of fertilizer, grain drying, and the maintenance and operation of farm machinery and equipment. Some farmers are not implementing energy conservation actions because they are reluctant to change from traditional methods, believing such changes could adversely affect crop yield and income and are too risky. However, certain farming practices that were commonplace only a few years

ago are being reevaluated in terms of energy efficiency, cost, and yield potential. To overcome their reluctance to change, farmers need adequate information to assure them that energy conservation actions are also cost-effective. Although energy conservation information is available, it is often too general and not applicable to individual farm situations. The Department of Agriculture's (USDA's) field agencies could provide farmers with energy conservation information and the new USDA Office of Energy could be the focal point for energy conservation. Because of the Department of Energy's (DOE's) uncertain funding situation, GAO is concerned about the future of its program.

Recommendations: The Secretaries of Agriculture and Energy should enter into an Interagency Agreement, pursuant to the general USDA/DOE Memorandum of Understanding, for USDA to perform the overall management and monitoring of the ongoing DOE energy integrated farm systems demonstration projects. This should help assure that the government's interests are protected and that the results of these projects are made available to the agricultural community. The Secretary of Agriculture should assign to the newly reestablished USDA Office of Energy responsibility for developing and carrying out an enhanced effort to promote energy conservation by farmers. Using its broad authority, this Office could coordinate and influence energy conservation activities of USDA field agencies to help assure that farmers receive assistance in identifying cost-effective energy conservation measures applicable to their specific farming situations.

UPDATE:

DOE disagreed with the recommendation for an interagency agreement. On the recommendation concerning USDA's Office of Energy, that office has taken several actions either partially responsive or not germane to our recommendation.

5. Sharing the Cost of Making Federal Water Project Feasibility Studies. RCED-83-18, December 6, 1982

SUMMARY:

GAO discussed feasibility studies undertaken by the federal government to resolve water resources problems and the factors affecting the study outcome. The purpose of the review was to determine how frequently studies did not identify acceptable solutions and why.

GAO estimated that, during the past 17 years, federal agencies have spent about $100 million on water project feasibility studies. In its review, GAO examined more than 1,200 studies and found that most of the concluded or completed studies were unable to identify acceptable solutions to water resources problems. In many cases, costs to correct a water

problem either exceeded the benefits or local government or communities did not support the solution. GAO believes that cost sharing between the federal entities and local sponsors would provide evidence of local commitment to a study and any resulting project and thus reduce the likelihood of a solution that is unacceptable to the community.

Recommendations: Congress should assure that cost sharing is applied uniformly by all federal water resources agencies and include all direct and indirect costs related to performing the study.

The Secretaries of the Departments of the Army, Agriculture, and the Interior should direct the Chiefs of the Corps of Engineers and the Soil Conservation Service and the Commissioner of the Bureau of Reclamation to (1) meet with the local sponsor to gain an understanding of the type, size, and cost of the project they envision, (2) evaluate the sponsor's legal authority and financial capability to contract for and fund a project, and (3) determine whether study sponsors have adequately assessed the depth and likely commitment of community support.

UPDATE:

The Commissioner of the Bureau of Reclamation, in response to the Secretary of the Interior's directive, directed the Bureau's regional directors to comply with the GAO recommendations. The Soil Conservation Service has made changes in its National Watersheds Manual to incorporate the GAO recommendations. The Corps of Engineers also issued regulations requiring planners to comply with the GAO recommendations.

6. Agriculture's Soil Conservation Programs Miss Full Potential in the Fight Against Soil Erosion. RCED-84-48, November 28, 1983

SUMMARY:

GAO reported on those aspects of the Department of Agriculture's (USDA's) three major conservation programs which deal with soil erosion, including (1) the seriousness of soil erosion, (2) USDA bases for allocating resources to, and measuring the results of, the programs, (3) possible changes that could improve the program's effectiveness, and (4) USDA actions on previous report recommendations.

USDA has estimated that about 6.5 billion tons of soil erode annually on non-federal lands and that USDA conservation programs are not keeping up with the problem. Data are not currently available to give a clear estimate of the consequencies and costs of erosion or to enable allocations of resources to be made in such a way that federal conservation programs obtain the greatest benefit for the resources spent.

USDA's decisions for allocating resources to combat soil erosion have generally not been predicated on factors directly linked to minimizing erosion's harmful effects. USDA plans to modify its resource allocation approaches to base judgments on erosion abatement needs on the extent of soil displacement. It may be some time before USDA is able to obtain the optimum data needed on erosion's harmful effects and to allocate soil conservation resources on that basis. However, some improvements for more effective use of resources at local levels are possible in the near term. GAO found that some disagreement exists as to whether soil erosion could be substantially reduced through more widespread use of conservation tillage farming methods. Finally, GAO found that USDA policy with regard to funding certain production-oriented practices as pointed out in a previous GAO report has been changed. However, GAO again questioned the purposes of and continued USDA cost sharing of certain conservation practices in certain situations.

Recommendations: The Secretary of Agriculture should require the Agricultural Research Service (ARS) to reassess its research needs priorities regarding the relative position of soil conservation research within its overall research program as well as erosion/productivity research within the soil conservation program. Such a reassessment should (1) assure that allocated resources sufficiently address the severity of erosion's threat to the nation's long-term cropland and productivity, (2) consider and clearly describe how the ARS program will address the erosion/productivity research needs described in the Soil Conservation Service's (SCS's) January 1983 research needs report, and (3) address the need to resolve the issue concerning the degree to which various kinds of soils can tolerate erosion before degradation occurs.

The Secretary of Agriculture should establish a policy that will (1) recognize that the USDA's primary soil conservation objective is to reduce erosion's harmful effects as opposed to simply achieving reductions in soil displacement and (2) require USDA agencies to allocate conservation funds according to a prioritization of erosion's harmful effects at the earliest possible time. Similar approaches would need to be followed in the allocation and use conservation funds at state and local levels.

The Secretary of Agriculture should require that the Agricultural Stabilization and Conservation Service (ASCS) provide local ASCS committees with Conservation Reporting and Evaluation System (CRES) generated cost/benefit data, statistically significant at the local level, for all approved soil conservation cost-sharing practices as soon as these data become available and require that these data be used as a basis for future decisions on providing ASCS conservation assistance. The Secretary of Agriculture should require that SCS test the feasibility of variable-rate cost sharing for its

Great Plains Conservation Program. The Secretary of Agriculture should require that SCS include in its report to the local ASCS committee, where applicable, a list of alternative practices that could effectively address an applicant's erosion problem. The Secretary of Agriculture should expand the ASCS variable-rate cost-share pilot project as quickly as practicable to (1) obtain a representative sample of all counties where the Universal Soil Loss and Wind Erosion Equations' formulas can be used, (2) expand the variable-rate concept program-wide if test results are favorable, and (3) reorient resource allocation at the local level using CRES cost effectiveness as the short-term criterion and reductions in erosion's harmful effects as the long-term criterion. The Secretary of Agriculture should reassess research priorities concerning conservation tillage to ensure that allocated resources sufficiently address the needs identified in the January 1983 SCS research needs report. The Secretary of Agriculture should revise CRES data analysis procedures to assure that the combined soil erosion reduction benefits of several conservation practices are not attributed to a single practice when conservation practice cost/benefit tables are developed.

The Secretary of Agriculture should require that specific and detailed guidance, coupled with assistance approval certifications, be established and used at all state and local levels. This guidance should ensure that the government does not cost share practices primarily used to enhance production or defray costs that are, or should be, part of normal farming or ranching operations, rather than to provide enduring conservation benefits.

UPDATE:

USDA generally agreed with the thrust of the GAO conclusions and recommendations and said that the validity of measuring the degree of erosion's damages by amounts and rates of erosion is rightfully questioned. USDA also agreed that erosion's harmful effects should be the criterion by which soil conservation resources are allocated. USDA said that it is in the process of implementing or plans to implement the GAO recommendations as research is completed and new technology is available.

TITLE XVI -- CREDIT, RURAL DEVELOPMENT, AND FAMILY FARMS

1. How the Farm Credit Administration Can Improve Its Use of Auditing. GGD-81-22, January 28, 1981

SUMMARY:

The Farm Credit Administration (FCA) is given the authority to supervise and coordinate the activities of the cooperative Farm Credit System. An evaluation was performed of the use of auditing by FCA and its support of the use of auditing within the System.

Although FCA has recognized the need for an independent internal review of its management activities, it has not done enough to encourage the development of internal audit activities throughout the System. Specifically, FCA has not (1) provided leadership for the development of System-wide internal auditing standards, (2) furnished active, consistent support to the System's Internal Auditors Conference, and (3) consistently reported on the progress and problems of internal auditing activities in its reviews of bank operations.

Recommendations: FCA should establish a permanent, independent internal auditing unit within FCA consistent with professional internal auditing standards. FCA should augment its financial examination efforts by using external auditors to ensure that financial examination procedures are in conformance with generally accepted auditing standards. The Federal Farm Credit Board should direct the Governor of FCA to monitor the implementation of the revised internal control policy to insure that independent bank internal audit functions are maintained. The Federal Farm Credit Board should direct the Governor of FCA to require that the Office of Examination reports to a bank's Board of Directors comment on the quality of the internal auditing system. The Federal Farm Credit Board should direct the Governors of FCA to furnish active, consistent support for the FCS Internal Auditors' Conference. The Federal Farm Credit Board should direct the Governor of FCA to provide leadership to the FCS to develop a set of professional internal auditing standards which will provide a basis for a more thorough evaluation as well as encouraging professionalism within bank internal audit units.

UPDATE:

FCA has recently established an Office of Internal Audit. The director of this Office reports to the FCA Governor. This office has been given the responsibility for implementing the recommendations contained in this report that effect internal auditing functions. In addition, FCA is currently experimenting with using external auditors to perform the financial

audits of its banks. FCA's Office of Examination currently comments on weaknesses which its examiners note in the internal audit functions of banks on a case-by-case basis, during their reviews, but not as a regular part of its examination reports.

2. Summary of Major Deficiencies in the Farmers Home Administration's Business and Industrial Loan Program. CED-81-56, January 30, 1981

SUMMARY:

GAO was asked to summarize the major deficiencies in the Farmers Home Administration's (FmHA's) Business and Industrial Loan Program. GAO was also asked to base the summary on audits by GAO and the Department of Agriculture (USDA) Office of the Inspector General (OIG) and internal FmHA studies. In 1977, GAO reported on loan evaluation and servicing deficiencies in the FmHA program.

The review of OIG audits and FmHA internal assessments showed that many of the deficiencies identified in the 1977 report still exist. GAO believes that the continuing deficiencies in the FmHA program are the result of an imbalance between FmHA staffing levels and program activities and the failure of FmHA staff to follow or enforce program requirements. GAO believes that to correct the deficiencies (1) a better balance will be needed between FmHA staffing and program activities, (2) loan-approving officials should be required to certify loan approval to some outside entity, such as OIG, for loans previously rejected at a lower review level, (3) FmHA needs to continue strengthening its monitoring capabilities, (4) periodic audits and congressional oversight should be carried out as needed to surface problems and ensure their correction, and (5) remedial training and, where appropriate, disciplinary action must be provided when program requirements are not followed. GAO found that FmHA was in the process of tightening program requirements for loans involving refinancing and that these new requirements should minimize differences in interpretations of FmHA requirements and result in approving sounder loans. GAO believes that if the new FmHA requirements do not achieve the desired results, FmHA should reconsider subjecting such loans to national office approval as previously suggested.

3. Pension Fund Investment in Agricultural Land. CED-81-86, March 26, 1981.

SUMMARY:

GAO was requested to evaluate the impact that the American Agricultural Investment Management (AAIM) Company's plan to seek investment opportunities in farmland for pension funds

is likely to have on the family farm structure. Issues considered concerned (1) the attractiveness of agricultural land as an investment for nonfarm capital, (2) whether U.S. agriculture has the necessary capital, (3) the structure of AAIM, (4) the proposed business and plans of AAIM, and (5) the potential immediate and long-range impact of pension fund investment in agricultural land.

GAO found that (1) although real estate in general has become a progressively more attractive investment during the last decade, agricultural land does not appear to be as attractive an investment as other commercial real estate, (2) according to the Department of Agriculture, U.S. agriculture is not lacking in capital, (3) AAIM provides advice on acquiring farm properties, manages farm properties, and invests farm operating cash in short-term debt securities, (4) AAIM plans to charge a one-time fee of 2.5 percent of the property value for advice on acquiring farm property and an annual fee of .3 percent of the value of the assets for managing farm properties and short-term debt securities, and (5) federal, state, and local laws and regulations place certain limitations on the types of investments pension funds can make. While it is difficult to assess the likely impact of the AAIM plan to seek investment opportunities in farmland through pension fund investment, indications are that (1) about $1 of every $4,429 of pension assets is now in direct investment in farmland, (2) pension fund fiduciaries do not intend to increase the percentage of their portfolios devoted to farmland, and (3) the fact that no pension funds are subscribing to the company's services is evidence that the pension investment plan is not attractive and does not currently have a significant impact on the structure of agriculture.

4. Agreement Between HHS and USDA to Finance the Construction and Renovation of Rural Health Centers Is Improper. HRD-82-27, January 7, 1982

SUMMARY:

GAO reviewed a 1978 agreement between the Department of Health and Human Services (HHS) and the Department of Agriculture for financing the construction and renovation of rural health center facilities using Farmers Home Administration (FmHA) loans.

GAO concluded that the repayment of FmHA loans for new construction with grant funds awarded under the Public Health Service Act was improper, constituted a circumvention of statutory restrictions, and should be discontinued. The act states that grant funds may be awarded for projects to plan, develop, and operate community health centers and may include the cost of acquiring and modernizing existing buildings. The act does not authorize projects for the erection or expansion

of health facilities. After the agreement was executed, the HHS Office of the General Counsel stated that grant funds under the act could be used to pay the costs of amortizing the principal of and paying the interest on loans undertaken for the construction of health facilities for eligible projects as part of the operating costs of those projects. GAO reviewed the loan agreement and found that HHS does not have the authority to use the grant moneys to fund construction of new buildings whether such funding is done directly or indirectly for the repayment of construction loans. GAO believed that the effect of the agreement was to make the funds available, indirectly, to finance construction and thereby circumvent the statutory restriction. Previously, GAO has recommended that HHS reevaluate the eligibility of existing grantees and phase out those that cannot be justified. The implementation of this recommendation should identify health centers whose continued existence can or cannot be justified. GAO did not believe that any useful purpose would be served by withdrawing support in locations where facilities are needed and justified.

Recommendations: The Secretary of Health and Human Services should withdraw support for projects completed or underway where facilities are not needed and, to the extent appropriate, work with FmHA to find other uses for the facilities. A determination of need should be made during the process of implementing the recommendation in an earlier GAO report. The Secretary of Health and Human Services should discontinue support of all loans for health center projects where construction has not started. The Secretary of Health and Human Services should stop supporting new loans for construction under the HHS/Agriculture loan agreement.

UPDATE:

HHS did not agree that it improperly used grant funds, authorized by section 330(d) of the Public Health Service Act, to directly or indirectly repay FmHA loans made to finance the construction of new rural health centers under a HHS/Agriculture joint agreement. HHS did concur with the withdrawal of support for projects completed or underway if the facilities are not needed. HHS assessed each community health center, and as a result, 99 centers were either given phase-out awards, noncontinued, or terminated for federal grant support.

5. Assistance to Beginning Farmers. Letter Report, May 14, 1982

SUMMARY:

Because of concerns raised about the obstacles faced by beginning farmers in obtaining financing to enter agriculture and the declining number of farms in the United States, GAO reviewed federal and state efforts to help beginning farmers.

Federal assistance programs for people entering farming consist primarily of loans and loan guarantees. Eleven bills were introduced in the 96th and 97th Congresses to target federal programs to beginning farmers. Although most of the programs in 14 states that assist beginning farmers are also loan and loan guarantee programs, two state programs provide land for new farmers. The current Department of Agriculture (USDA) analysis of farm trends describes net changes in farm numbers, but it does not provide data on numbers of farmers entering or leaving farming, and there are little data on the impact of existing farm programs on beginning farmers or the farm sector. Without an understanding of the changes in the farmer population and the impact of existing programs on beginning farmers, it is difficult for Congress to consider changes to farm programs that would successfully assist the beginning farmer. Raw data are available nationwide at county agricultural offices that can be used to determine the numbers of farmers entering and leaving farming and to obtain information about the numbers of people wishing to enter farming. USDA could collect and tabulate this data within existing resources and provide farmer demographic information, a profile of the beginning farmer situation, a basis for evaluating the existing programs' impact on beginning farmers, and data for evaluating proposed legislation.

Recommendations: The Secretary of Agriculture should direct USDA to revise the Agricultural Stabilization and Conservation Service recordkeeping system to tabulate available data on farmers entering and leaving the agricultural sector. The Secretary of Agriculture should direct USDA to tabulate data on qualified persons applying for loans to enter farming through federal programs and the number actually receiving loans. The Secretary of Agriculture should direct USDA to evaluate the impact of existing programs which help farmers enter the agricultural sector. The Secretary of Agriculture should direct USDA to analyze trends in farmer numbers and target government programs to the desired group of farmers.

UPDATE:

USDA stated that it recognizes and shares the concerns expressed in this report regarding assistance to beginning farmers and the need to have better information, regarding trends on persons entering and exiting farming operations, to develop policy decisions. It stated that such data would be useful in determining whether or not there was a need for special programs to assist beginning farmers. However, it believes that there are a number of factors which complicate the collection of the type of data suggested in this report. USDA mentioned the unavailability of the information, the difficulties in getting it, and the substantial additional cost of collecting it.

6. Federal Food, Agriculture, and Nutrition Programs in the New England Region. RCED-83-36, December 2, 1982

SUMMARY:

In response to a congressional request, GAO conducted a study to identify program efforts and funding levels of federal food, agriculture, and nutrition programs in New England, analyzed program changes from fiscal years 1981 to 1982, and analyzed the impact of changes on the New England food system.

The federal food, agriculture, and nutrition programs available to New England during fiscal years 1971 through 1980 emphasized food assistance to consumers. Programs directed at producers were second in the amount of assistance provided. Data analysis indicates that the fiscal year 1982 budget for agricultural agencies increased overall, even though funds budgeted for food assistance decreased. The final appropriation package for fiscal year 1983 had not been enacted, but current appropriation efforts indicated that funds for seven food assistance and dairy programs pertinent to New England would be reduced.

7. Research and Extension Programs to Aid Small Farms. RCED-83-83, February 9, 1983
(See Title XIV p. 95.)

8. Interim Report on the Implementation of the Farm Credit Act Amendments of 1980. GGD-83-26, March 7, 1983.

SUMMARY:

The Farm Credit Act Amendments of 1980 require GAO to conduct evaluations of the programs and activities authorized by the amendments and to make an interim report to Congress. This interim report discusses the general implementation process for 13 programs effected by the amendments and focuses in detail on three programs which program officials viewed as among the most important.

The 1980 amendments authorized the Farm Credit System's district Banks for Cooperatives to offer financial services related to exporting and importing agricultural commodities. GAO found that the Farm Credit Administration (FCA) and the Banks for Cooperatives encountered a number of problems in implementing the international banking services program. GAO found that FCA did not have the capability to independently evaluate country risk associated with the extensions of credit by the Central Bank for Cooperatives under the international banking services program. FCA needs this capability to adequately examine the Central Bank and to ensure its financial soundness and integrity. The 1980 amendments also sought to enhance the opportunity for commercial banks and other agricultural lenders to obtain funds by discounting agricultural

loans with the Federal Intermediate Credit Banks. GAO found that certain aspects of these regulations lack specificity in defining eligibility for access to the discounting services. The 1980 amendments require that each association in the Farm Credit System prepare a program for furnishing credit and services to young, beginning, and small farmers and ranchers. GAO found that FCA has not given district banks specific guidance on various types of qualifying programs. Because a reporting system has not been developed for this program, program results may be difficult to measure.

Recommendations: The Governor, FCA, should establish minimum requirements which district Banks for Cooperatives must meet before they are allowed to undertake an international banking services program. The Governor, FCA, should determine the feasibility of using the results of the federal bank regulatory agencies' country risk studies or have FCA develop such studies on its own. The Governor, FCA, as part of his responsibilities to supervise and examine the Farm Credit System, should closely monitor the implementation of the Other Financing Institution Program in each Farm Credit district to ensure that Other Financing Institutions, which are significantly involved in agricultural lending and are otherwise eligible, are given the opportunity to enhance their utilization of the financial services of the Federal Intermediate Credit Banks and better serve the needs of agriculture. The monitoring should specifically include application of the regulations and policies dealing with agricultural loan volume, debt-to-capital ratio, access to national and regional money markets, investment in the Federal Intermediate Credit Bank, and gross loan-to-deposit requirements. The Governor, FCA, should evaluate past young farmer programs and identify what programs were successful. The Governor, FCA, should study the current needs of young, beginning, and small farmers and ranchers and identify what programs would meet these needs. The Governor, FCA, should disseminate information to district banks and associations on the types of programs they should consider in developing individual young, beginning, and small farmer programs. The Governor, FCA, should establish specific program goals so that progress toward meeting these goals can be measured and reported.

UPDATE:

FCA has taken some action on the recommendation dealing with international banking services. It believes that it is doing enough to monitor the implementation of programs dealing with other financing institutions and young, beginning, and small farmers and ranchers. The subject report was an interim report on the implementation of the Farm Credit Act Amendments of 1980.

9. Equitable Interest Rates Are Needed for Farmers Home Administration Loans. RCED-83-157, August 12, 1983

SUMMARY:

GAO reviewed the Farmers Home Administration's (FmHA) policies, procedures, and practices for setting and revising interest rates on farm, home, and community facility loans.

Between June 1981 and March 1982, FmHA approved about 94,000 housing and farm loans whose borrowers will receive subsidies or pay premiums totaling $112 million over the life of their loans. GAO noted that, because subsidies will exceed premiums, FmHA program costs on these loans could be increased by as much as $94 million. GAO found that FmHA has not developed an adequate rate review or decision-making process to allow judicious use of its discretionary authority to set interest rates on housing and farm loans. Specifically, the cutoff point for changing rates was an estimate established without analysis. Further, FmHA application of its own guidelines has resulted in inconsistencies. GAO stated that the lack of criteria resulted in inequitable treatment of borrowers within the same programs, and it questioned the 25-year period FmHA uses to set rates on real estate loans and the use of the municipal bond rate to set rates on community facility loans.

Recommendations: The Secretary of Agriculture, to provide for changes in farm and home loan program interest rates in a timely, economical, and equitable manner, should direct the Administrator, FmHA, to revise interest rates monthly, setting new rates at the Treasury monthly cost-of-money rate with appropriate adjustments for limited-resource farm loans. The Secretary of Agriculture, to facilitate this change without adversely affecting the FmHA workload, should direct the Administrator, FmHA, to implement rate changes by the 5th work day of each month and require FmHA county supervisors to determine the maximum rate applicants can pay. The Secretary of Agriculture should require the Administrator, FmHA, before extending FmHA authority, to develop specific, quantitative criteria to identify and weigh other factors in setting loan program interest rates. The Secretary of Agriculture, to better comply with the requirements of FmHA authorizing legislation, should direct the Administrator, FmHA, to use a 30-year maturity period to set interest rates on farm ownership, including limited-resource farm ownership, and single family housing loans. The Secretary of Agriculture, to ensure continued validity of the maturity period being used to set interest rates, should direct the Administrator, FmHA, to periodically determine the actual maturity period of FmHA loans. The Secretary of Agriculture should direct the Administrator, FmHA, to use a revenue bond index to determine bond market rates for the purpose of setting interest rates on community facility loans.

UPDATE:

FmHA is thoroughly reviewing its lending policies and procedures to identify the changes needed to establish a comprehensive set of policies to control the establishment of equitable interest rates.

10. Income Analysis of Farmers Home Administration Subsidized Rural Homebuyers in 1983. RCED-84-145, March 26, 1984

SUMMARY:

In response to a congressional request, GAO analyzed the incomes of the rural households who purchased homes under the Farmers Home Administration (FmHA) home-ownership program in fiscal year 1983 to determine the effect that new targeting provisions and income limits enacted by Congress in 1983 would have had on the eligibility of those assisted in 1983.

The FmHA program provides low interest rate subsidized loans to eligible households who earn less than 80 percent of area median income with certain adjustments for family size. The Rural Housing Amendments of 1983 stated that, nationwide, not less than 40 percent of the loans could be made to households whose incomes did not exceed 50 percent of the area median income with adjustments for family size. Not less than 30 percent of the loans in each state are to be provided to very low-income households. Of 53,466 household files which GAO analyzed, 84 percent of the households would have qualified for assistance had the new eligibility criteria been in effect in 1983. GAO also found that about 24 percent of all borrowers would have been classified as very low income in 1983 under the new rules. If the households who would not have qualified under the new rules were excluded from the calculations, then 28 percent of qualified borrowers would have had very low incomes in 1983. Only two states would have exceeded the 40-percent requirement for very low-income households, while six states would have exceeded the 30-percent minimum for individual states. There has been substantial variation from region to region in the degree of income targeting under the new eligibility limits, and the greatest degree of targeting has occurred in the south. Under the new law, income limits for small households were generally reduced while those for larger households were increased, and qualifying incomes will rise considerably in some locations.

11. Multiplier Effect of the Agricultural Sector on the General Economy. RCED-84-56, April 17, 1984

SUMMARY:

Pursuant to a congressional request, GAO reviewed the relationship between the agricultural sector and the rest of

the national economy. GAO was asked to provide information on (1) federal tax revenues generated by federal agricultural program expenditures and (2) the multiplier effect of the agricultural sector on the national economy.

Regarding federal tax revenues generated by federal agricultural program expenditures, none of the agencies, organizations, or individuals interviewed were able to provide such information. Accordingly, GAO was unable to present information on this issue. GAO was unable to determine a specific multiplier for the agricultural sector or to compare it with multipliers for other sectors. GAO was able to obtain information on definitions and techniques used by economists to measure multiplier effects. A multiplier is a measure of the relationship between an initial increase in spending in one sector of the economy and the total increase in spending in all sectors of the economy as a result of the initial increase. The increase in total spending will be greater because the recipients of the initial increase spend some of what they receive in other sectors. GAO found that (1) most analyses of the multiplier effect for the agricultural sector have focused on particular products or regions and (2) those studies that had wider focuses used a variety of definitions for multipliers and different methods of determining multiplier effects. GAO stated that, if a consistent set of studies were available for calculating multiplier effects in various sectors of the economy, multiplier analysis would be a useful tool for measuring the impacts of different economic sectors on one another.

TITLE XVII--FLORAL RESEARCH AND CONSUMER INFORMATION
(No GAO Reports Issued)

TITLE XVIII --EFFECTIVE DATE
(No GAO Reports Issued)

OTHER GAO REPORTS WHICH MAY BE OF INTEREST TO COMMITTEES IN DEVELOPING THE 1985 FARM BILL

CROP INSURANCE

1. The Department of Agriculture Can Minimize the Risk of Potential Crop Failures. CED-81-75, April 10, 1981
(See Title XIV p. 85.)

2. Analysis of Certain Operations of the Federal Crop Insurance Corporation. CED-81-148, July 30, 1981

SUMMARY:

In response to a congressional request, GAO reviewed certain operations of the Federal Crop Insurance Corporation (FCIC).

GAO found that because of the normal lag of FCIC in adjusting premium rates and its decision to concentrate its staff resources on expanding program coverage, FCIC has not made extensive changes in its premium rates since the passage of the Federal Crop Insurance Act amendment of 1980. As a result, the significant losses which occurred in 1980 have not yet been reflected in the premium rates of FCIC. These losses will be reflected in the premium rates of 1983. FCIC methodology in assembling and updating data for establishing an actuarial basis for insurance has also not changed since the passage of the amendment. Of 30 private insurance companies which initially indicated an interest, only 19 companies entered into reinsurance agreements for crop year 1981. Six other companies entered into agency sales and service agreements. Despite nationwide advertising of the credit permitted when hail and fire insurance is excluded from FCIC coverage and purchased from private firms, the producers have applied to exclude hail and fire insurance coverage from only about 3,000 of the approximately 500,000 policies which have been written. FCIC estimates that total costs for fiscal year 1981 will amount to $333 million. This amount included the estimated net deficit of $203 million for crop year 1980. Preliminary data show that premiums for crop year 1981 will be about $316.5 million, about a 108-percent increase from 1980. The number of acres insured increased to 47.7 million, or about an 81-percent increase.

3. Information on the Federal Crop Insurance Program. RCED-83-117, March 8, 1983

SUMMARY:

Pursuant to a congressional request, GAO examined certain aspects of the crop insurance program administered by the Federal Crop Insurance Corporation (FCIC).

GAO found that FCIC methodology for establishing farm yields results in yields that are generally accurate on a county-wide basis. However, yields distributed by FCIC to individual farm units often guarantee producers insurance coverage which is either too high or too low. The new FCIC individual coverage plan can provide those farmers who have production records an opportunity to obtain insurance coverage that better reflects their actual production. Monthly interest charges on late premium payments were established to encourage prompt payment and improve FCIC cash flow. Farmers who had insured approximately 22 percent of the total acres insured in 1981 canceled their policies in 1982, citing low coverage and high premiums as a major reason for cancellation. FCIC records showed that 57 percent of the indemnity claims submitted by farmers for crop year 1981, totaling more than $241 million, took over 30 days to process for payment. State governments are not providing financial assistance to help farmers pay their FCIC premiums.

4. Information on the Federal Crop Insurance Corporation's 1983 Standard Reinsurance Agreement. RCED-83-114, March 9, 1983

SUMMARY:

GAO was asked to review the 1983 Standard Reinsurance Agreement approved by the Board of Directors of the Federal Crop Insurance Corporation (FCIC), a government-owned corporation within the Department of Agriculture.

The reinsurance program was established in 1980. In an attempt to involve more private insurance companies and to encourage them to write insurance on all crops nationwide, FCIC has made revisions to the amount of premiums allocated between FCIC and the companies for their portion of risk sharing. At specified times throughout the year, FCIC reimburses companies for the costs associated with operating and administering the program. The amounts paid are based on percentages of premiums collected and net losses incurred, rather than on the private companies' actual costs. GAO stated that FCIC does not require private companies to report the actual cost of providing their services, nor does it have audit procedures to determine whether the reimbursement billings that the private companies submit are valid. GAO was unable to determine from the financial statements available at FCIC whether the reinsured companies had sufficient reserves or assets to bear the risk undertaken.

5. Changes Are Needed to Assure Accurate and Valid Wheat Deficiency Payments. RCED-83-50, March 29, 1983
(See Title III p. 8.)

6. Review of the Federal Crop Insurance Corporation's Financial Statements for the Year Ended September 30, 1981. AFMD-83-74, July 22, 1983

SUMMARY:

GAO reviewed the Federal Crop Insurance Corporation's (FCIC's) statement of financial position as of September 30, 1981, and the related statements of income and expense and changes in financial position for the year then ended.

GAO found that significant accounting and financial reporting policy changes were made as a result of its review. In prior years' financial statements, GAO found that (1) insurance premium revenue inappropriately included amounts earned in more than 1 fiscal year (FY) and excluded other amounts that should have been included, (2) losses on claims inappropriately included claims resulting from insurance coverage for more than one FY and excluded other claims that should have been included, and (3) expended and unexpended appropriations were both reported in the statement of financial position. In the FY 1981 financial statements, GAO found that the following accounting and financial reporting changes had occurred: (1) insurance premium revenue included amounts earned in FY 1981 and excluded in any other FY, (2) losses on claims included claims resulting from FY 1981 insurance coverage only, and (3) expended appropriations were reported in the statement of income and expense, and obligated but unexpended appropriations were reported in the statement of financial position.

7. More Attention Needed in Key Areas of the Expanded Crop Insurance Program. RCED-84-65, March 14, 1984

SUMMARY:

GAO reviewed actuarial practices of the Federal Crop Insurance Corporation (FCIC), the rates at which private sector companies are compensated for selling and servicing crop insurance, and the distribution of gains and losses on crop insurance sold by private companies and reinsured by FCIC.

Congress has expressed concern regarding FCIC progress in implementing the Federal Crop Insurance Act of 1980 the effectiveness of program changes when insurance losses in 1981 and 1982 are considered, and the annual increases in FCIC appropriation requests. GAO found that, following enactment of the legislation, FCIC made substantial progress in expanding the program and involving the private sector in selling and servicing crop insurance. However, FCIC did not give

appropriate attention to ensure that its insurance was actuarially sound, did not carefully evaluate its actions involving the private sector, and did not make a detailed cost study when it established the compensation rates for the private sector companies' sales and service activities. Under the expanded reinsurance program, private insurance companies obtain reinsurance coverage from FCIC as protection against part of the risk of insuring crops. Allowed annual revisions to the standard reinsurance agreement have resulted in increased costs to FCIC. GAO noted that FCIC has initiated numerous actions that should improve the insurance paperwork submitted by independent insurance agents and has taken steps to develop a comprehensive quality control program and a plan for an independent audit of the reinsured companies.

Recommendations: The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to (1) moderate any further expansion so that it will not detract from the actuarial division's ability to update the crop insurance offers, (2) correct any inaccuracies that may be found in the recently established county insurance offers of FCIC and, if necesary, correct its older county insurance offers that may be inappropriate in light of the increased risk that may be associated with implementing the legislative requirements for higher coverages, (3) give increased attention to completing actuarial reports depicting crop year 1980 and 1981 insurance experiences in order that the review and updating of the FCIC crop insurance programs might be expedited, and (4) consider the potential for obtaining actual crop yield data and using such data to establish homogeneous risk groups and the proper relationships among each group's yields and risk rates. The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to evaluate the rates established for compensating the private sector in relation to the current and/or expected premium base and the private sector's costs to provide such services; the rate structure should, if warranted, be adjusted to provide reasonable compensation to the private sector for its services and, at the same time, be cost effective to the federal government. The Secretary of Agriculture should direct the FCIC Board of Directors and Manager to (1) moderate further expansion of the reinsurance program until the operation of the current program can be evaluated to ensure that it is cost-effective for both the government and the insurance companies and (2) tailor the reinsurance agreements to each company's area of operation and base the gain and loss formula on the loss experience for the geographic area in which the company operates.

UPDATE:

The agency agreed with and is taking or plans to take actions on the recommendations.

8. Federal Crop Insurance Program in North Carolina and Iowa. RCED-84-120, March 16, 1984

SUMMARY:

Pursuant to a congressional request, GAO reviewed the Department of Agriculture's Federal Crop Insurance Program, which is administered by the Federal Crop Insurance Corporation (FCIC). Specifically, GAO was asked to obtain information about how the program was working in North Carolina and Iowa.

GAO found that, in North Carolina, the number of acres insured under the program dropped from 17 percent of the total planted acres in 1982 to 12 percent in 1983; in Iowa, the acres insured dropped from 16 percent in 1982 to 11 percent in 1983. Producers cited various reasons for not buying federal crop insurance, including the high cost of premiums, covering their own losses, and low yield coverage. Although FCIC spent almost $12 million to advertise the crop insurance program, a study showed that producer awareness of the program was about the same before and after the advertising campaign. FCIC must maintain a loss ratio of 1.0 or lower for indemnities paid to premiums received to remain actuarially sound. In North Carolina and Iowa the loss ratios were below that figure for 1982. However, loss ratios varied substantially within crops.

9. The Federal Crop Insurance Corporation's Efforts to Provide Monthly Reports to the Senate Committee on Appropriations. RCED-84-169, July 13, 1984.

SUMMARY:

In response to a congressional request, GAO reviewed the methodology which the Federal Crop Insurance Corporation (FCIC) used in developing data for required monthly congressional reports on producer participation in the Federal Crop Insurance Program, the rate at which policies are cancelled, and any marketing or significant administrative changes that affect the program's cost. In addition, GAO reviewed the monthly reports to determine their accuracy.

GAO found that FCIC has often changed its methodology for preparing the monthly reports and the type of data reported. Furthermore, it has (1) not reported accurately its actual business but has instead reported a combination of actual and estimated business, (2) either not reported information for its reinsured companies' business or presented information not comparable to the information presented for its master marketer business, (3) based its anticipated program participation on estimates or on funds appropriated by the Congress, and (4) not reported marketing and administrative changes that affect program costs. As a result, the reports have been incomplete, have lacked continuity, and have generally

overstated program participation. Information is available to FCIC that would provide the Congress with an adequate basis for month-to-month comparisons of FCIC business. However, further clarification by the Congress is needed on such issues as reporting estimated versus actual figures, pertinent marketing, and significant administrative changes that affect program costs.

10. Department of Agriculture's Acquisition and Distribution of Commodities for Its 1983 Payment-In-Kind Program. RCED-84-137, September 25, 1984
(See Title IV p. 13.)

11. Federal Insurance Program for Grain Warehouse Depositors--Issues and Information. RCED-85-39, March 1, 1985

SUMMARY:

In January 1983, the Chairman of the House Committee on Agriculture appointed an Ad Hoc Subcommittee on Grain Elevator Bankruptcy to study and recommend possible solutions to problems caused by the financial failures of grain warehouses. The Subcommittee's report (issued June 16, 1983) made a number of specific recommendations to help prevent failures and to amend federal bankruptcy procedures. However, in the area of assisting depositors to recover losses resulting from failures, the Subcommittee recommended that GAO conduct further study of the concept of establishing a federal insurance system for grain depositors similar to those currently available to bank depositors through the Federal Deposit Insurance Corporation (FDIC) and the Federal Savings and Loan Insurance Corporation. On July 11, 1983, the Chairman of the Committee on Agriculture requested GAO to make such a study.

The report considers patterning a grain deposit insurance program after the Federal Deposit Insurance Corporation Program and (1) describes the FDIC Program, (2) summarizes the principal issues that grain warehouse operators, regulators, and depositors believe should be addressed, (3) estimates certain potential program costs, and (4) describes existing federal, state, and private programs that already provide financial protection.

GAO relied on those who would be most affected (grain warehouse regulators, operators, and depositors) to identify the primary issues and concerns that should be addressed in deciding whether to establish an FDIC-type program for grain warehouses. GAO solicited the views of all major national organizations representing these interests as well as the views of similar local organizations in 12 states which comprise one-half of the nation's off-farm grain storage capacity--a total of 111 parties. GAO did not attempt to conclude whether an insurance program should be established.

DEPARTMENTAL OPERATIONS

1. Department of Agriculture Should Have More Authority to Assess User Charges. CED-81-49, April 16, 1981

SUMMARY:

The Department of Agriculture (USDA) provides a wide range of marketing and regulatory services. Marked differences exist in the degree to which recipients bear the costs of these services. As a result, certain sectors of the agricultural marketing industry are receiving preferential treatment at the taxpayers' expense.

If recipients were charged for all costs except those which can be readily identified with public benefits, the current inconsistencies and inequities would be eliminated and federal appropriations could be reduced. USDA could also realize substantial savings if it were to move to a system of periodic unannounced inspections at federally inspected meat and poultry processing plants and if the plants were required to have total in-plant quality control systems. Current inconsistencies and inequities in USDA's application of user charges are caused by differences in the legislative funding provisions covering individual programs and problems in implementing user charges under the so-called User Charge Statute (title V of the Independent Offices Appropriation Act) when no specific legislative authority exists.

Recommendations: The Congress should either amend the User Charge Statute or enact new general user charge legislation to make it clear that an agency may set fees to recover the full cost of a program that primarily benefits identifiable users. The Congress should require that all costs of USDA's commodity inspection, grading, and classing programs, except any quantifiable public benefit costs, be financed with user fees. To do this Congress should amend the Grain Standards Act, the Cotton Statistics and Estimates Act of 1927, and the Tobacco Inspection Act of 1935 to delete provisions that require appropriations funding and/or limit the use of user charges, repeal the Naval Stores Act, and discontinue providing special appropriations to defray a portion of the supervision costs incurred in the poultry and fresh fruit and vegetable grading programs. Congress should amend the Warehouse Act to provide for user funding of periodic USDA examinations. The amendment should require recovery of all program costs. The Congress should amend existing legislation to authorize USDA to charge importers fees which cover all costs of inspecting and testing imported birds (both commercial and pet) and other animals. The Congress should repeal the Tobacco Seed and Plant Exportation Act of 1940. The Congress should amend the Federal Meat Inspection Act and the Poultry Products Inspection Act to authorize the Secretary of Agriculture to require all federally inspected meat

and poultry processing plants to develop and implement quality control systems.

The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service (APHIS) to charge user fees which cover the costs of phytosanitary inspections (inspections of domestic plants and plant products offered for export and certified as to the freedom of such products from injurious insect pests and plant disease). The Administrator should do so either under the authority contained in the User Charge Statute or by seeking specific legislative authority. The Secretary of Agriculture should direct that a study be made to determine the cost effectiveness of a user fee system for the USDA's printed market news reports. The study should be independent, made by individuals who are not under the Assistant Secretary for Marketing and Transportation Services. If the study shows that the administrative problems can be resolved and that the administrative costs would not be excessive, the Secretary should implement a fee system. If not, the Secretary should forward the study to OMB for resolution of differences between USDA and Department of Commerce funding methods.

The Secretary of Agriculture should direct that an independent study be made to develop objective criteria for setting and adjusting fees charged for plant variety certifications. The study should determine how much of total program costs could be passed on to applicants without severely limiting participation by applicants with limited financial resources. The Secretary should then direct the Administrator of APHIS to set and periodically adjust the certification fee on the basis of these criteria. The Secretary of Agriculture should determine whether inspections of imported seed required under the Seed Act primarily benefit the seed importers. If so, the Secretary should propose to Congress amendments to the act which would authorize user fees for the inspections. Upon enactment of the amendments, the Secretary should direct the Administrator of the Agricultural Marketing Service to develop and implement a user charge.

UPDATE:

The fiscal year 1983 appropriations act did not include supervisory costs for certain grading programs or for tobacco seed and plant export permits, which addressed the basic purpose of our recommendation to the Congress. USDA has made additional proposals for recovering costs through user charges in each fiscal year budget since that time.

2. Review of Financial Statements of Commodity Credit Corporation. CED-81-137, August 13, 1981

SUMMARY:

A review was conducted of the statement of financial condition of the Commodity Credit Corporation (CCC) as of September 30, 1980, and its related statements of income and expense, analysis of deficit, and source and application of funds for the year then ended.

GAO found that certain accounting policies and practices of CCC depart from generally accepted accounting principles. These departures, which affect the presentation of information in the financial statements, included (1) interest income and accrued interest receivable of at least $200 million were not recognized in the proper accounting period on nonrecourse loans, (2) significant accounting transactions were not adequately shown on the financial statements, (3) inventory of about $1.7 billion may have been substantially overvalued, (4) accrued interest receivable of about $144 million on Public Law 83-480 sales were not separately shown in the statement of financial condition, and (5) the footnote to the financial statements did not adequately describe accounting treatment of the deferred credit account for Public Law 83-480 sales. The total effect of these departures on CCC's financial statements has not been determined. Because of these departures and because its review was limited principally to inquiries of CCC personnel and analytical procedures applied to financial data, GAO did not express an opinion on CCC financial statements.

3. Information on Commodity Credit Corporation Loan Repayment Practices. CED-82-106, June 16, 1982

SUMMARY:

In response to a congressional request, GAO gathered information relating to (1) past and present Commodity Credit Corporation (CCC) repayment practices, (2) the statutory and regulatory authority which allows CCC to decide how loan repayments are to be divided between principal and interest, as well as the authority to establish a memorandum account for accrued interest, (3) what a memorandum account is and whether it meets generally accepted accounting principles, (4) how CCC repayment practices differ from commercial banking practices, and (5) other CCC loan programs which allow repayments to be applied first to loan principal.

The CCC was not aware of any compilation or history of past and present corporation repayment practices. However, GAO obtained CCC dockets which described the computation and application of interest on certain price support loans. The CCC allows loan repayments for the Tobacco and Peanut Support Programs to be applied first to principal and then to interest. This is contrary to commercial practices, which generally provide for the application of loan collections first to

accrued interest due and then to the principal indebtedness. After the principal is liquidated, repayments are then applied to interest receivable. Cash received beyond liquidation of accrued interest is returned to the tobacco associations. However, if the cash collected after the loan principal is liquidated is insufficient to liquidate the total interest due, the account is closed and the receivable waived. There is no statutory authority which specifically states how loan repayments are to be applied. Broad general authority allows the Secretary of Agriculture to administratively determine what portion of loan repayments are to be applied to principal and interest. The Secretary exercises his authority to provide for a tobacco price-support program through a docket passed by the CCC Board of Directors, which he approves. The Secretary also used this authority to establish a memorandum of account, an account used by CCC to record accrued interest on certain price support loans; however, the memorandum of account did not meet generally accepted accounting practices and is no longer used.

4. Organizational, Personnel, and Office Location Changes Made by the Food and Nutrition Service. RCED-83-138, June 30, 1983

SUMMARY:

In response to a congressional request, GAO reported on certain organizational and personnel changes made since January 1981 at the Food and Nutrition Service and on the move of the Service's headquarters from Washington, D.C., to the Virginia suburbs. GAO examined employee qualifications and positions, White House involvement in Service personnel actions, fundamental changes in some Service organizations, and the impact of the relocation of Service headquarters.

GAO noted that some of the top-level personnel were replaced as a result of organizational changes, but that most of the replacements had previously worked for the Service in various management or specialist positions, or held management positions in other organizations. Several management positions were either vacant or had been eliminated. GAO found that the White House had not had a direct influence in Service hirings, although the Service's top three officials were White House appointees as had been three predecessors and six other Schedule "C" officials had to receive White House approval before being hired. In an effort to streamline and improve operations, the Service transferred from headquarters to its regional offices daily financial management operations and reorganized its headquarters financial management organization. GAO questioned the propriety of the Service paying the salaries of two non-Service employees, and agreement was reached to correct those situations. Finally, GAO noted that the new Service headquarters in the local

suburbs made it less accessible to the Department of Agriculture's downtown headquarters, and employee access to eating facilities remained a problem.

5. Review of the Commodity Credit Corporation's Financial Statements for the Year Ended September 30, 1981. AFMD-83-87, September 2, 1983

SUMMARY:

GAO reviewed the statement of financial position of the Commodity Credit Corporation (CCC) as of September 30, 1981, and the related statements of income and expense and changes in financial position for the year then ended.

GAO found that the financial statements of CCC, issued November 18, 1981, did not conform with generally accepted accounting principles. As a result, significant accounting and financial reporting policy changes were made to those financial statements so that they would conform with these accounting principles. The changes relate mainly to the recognition of certain income and expenses and of an estimated liability for deficiency payments to producers. GAO was not aware of any other material changes that should be made to the statements for them to conform with accepted accounting procedures.

FEDERAL FOOD ASSISTANCE

1. Information on Dine-Out Feature of the Food Stamp Program. CED-81-72, February 27, 1981
(See Title XIII p. 60.)

2. Analysis of Department of Agriculture Report on Fraud and Abuse in Child Nutrition Programs. CED-81-81, March 9, 1981

SUMMARY:

GAO was asked to analyze a recent joint report issued by the Department of Agriculture's Office of the Inspector General (OIG) and Food and Nutrition Service on fraud and abuse in child nutrition programs. The purpose of the review was to assess the validity of some of the OIG findings and dollar projections since the Food and Nutrition Service disputed their validity.

GAO found that the great variability in the results of school feeding programs at different locations and times made projections of the dollar impact of deficiency findings very difficult. GAO noted that although the dollar impact amounts discussed in the joint report should be used with caution, the OIG review highlighted very serious and extensive problems about the integrity of school feeding programs. Even though GAO did not agree with OIG in every instance, GAO pointed out

that the problems OIG identified represented program abuses with significant dollar impacts, particularly when viewed from a total school-year basis and not just the 1-month basis used in the report.

3. Information on Strikers' Participation in the Food Stamp Program. CED-81-35, March 26, 1981
(See Title XIII p. 60.)

4. Improved Collections Can Reduce Federal and District Government Food Stamp Program Costs. GGD-81-31, April 3, 1981
(See Title XIII p. 61.)

5. More Can Be Done to Improve the Department of Agriculture's Commodity Donation Program. CED-81-83, July 9, 1981
(See Title XI p. 28.)

6. Insights Gained in Workfare Demonstration Projects. CED-81-117, July 31, 1981
(See Title XIII p. 63.)

7. Efforts to Improve School Lunch Programs--Are They Paying Off? CED-81-121, September 9, 1981

SUMMARY:

School food service programs across the nation, especially in high schools, are having difficulty in effectively providing lunches to the nation's children. Many programs are faced with increasing meal costs, declining student participation, plate waste (food served but not eaten), and unanswered questions about the nutrients in the meals. GAO reviewed seven school districts to determine if their innovative approaches were solving or aggravating problems in the lunch program.

None of the high school lunch formats (conventional, fast food, or salad) GAO reviewed met the program's goal of providing, over time, one-third of the students' recommended dietary allowances (RDAs) even though the lunches as offered, on the average, met or exceeded the amounts of food required by the Department of Agriculture (USDA). The conventional format came closer to meeting the goal more often than the salad or fast food formats. Because students also eat at other times of the day, there may be no health risk associated with these nutrient deficiencies. Upgrading the lunches' nutritional quality to meet all the goals may be difficult and may not be feasible in all cases because attempts to improve nutrition may adversely affect participation, cost, and plate waste. A test of a computer assisted nutrient standard system of meal planning was being conducted to develop menus based on nutritional value of foods rather than the meal pattern. Offering high school students a greater food selection and improving

the eating environment seemed to increase program participation. GAO found that there was less plate waste in programs using the fast-food format versus the conventional format, and that offering a variety of foods from which students could choose helped to reduce plate waste. Having fast-food and salad formats, in addition to the conventional format in a lunch program, does not necessarily increase costs. However, school lunch costs in the school districts which GAO reviewed continually increased from school years 1976-77 through 1979-80.

Recommendations: The Secretary of Agriculture should take a fresh look at USDA's one-third RDA goal for school lunches and decide whether the achievement of some specified goal, such as one-third RDA, within acceptable limits of plate waste, cost, and student participation is unnecessary or impractical and therefore the goal should be dropped, and the program operated on the basis of providing a variety of foods within a specified meal pattern or some other achievable criteria. The Secretary should also decide whether serving lunches that will provide either one-third or some other specified percentages of the RDAs over time is considered important for students' nutritional well-being, and therefore ways must be developed to ensure that the goal is essentially met within acceptable limits of plate waste, cost, and student participation.

UPDATE:

The Food and Nutrition Service said that the Omnibus Reconciliation Act of 1981 (P.L. 97-35) reduced the subsidies provided for food service operations and changed the income eligibility standards. In partial response to these 1981 legislative changes, USDA issued proposed meal pattern regulations on September 4, 1981, to reduce federal regulation and program costs. In the proposed regulations, USDA issued proposed cost saving measures in the areas of meal pattern administration and crediting requirements. USDA proposed reduction of the minimum quantity requirements of the meal patterns. It was expected that the reductions would also reduce plate waste. Due to widespread misunderstanding of USDA's intention, the proposal was withdrawn on September 25, 1981.

8. Millions Could Be Saved By Improving Integrity of the Food Stamp Program's Authorization-To-Participate System. CED-82-34, January 29, 1982
(See Title XIII p. 64.)

9. Food Stamp Workfare: Cost Benefit Results Not Conclusive; Administrative Problems Continue. CED-82-44, February 19, 1982
(See Title XIII p. 66.)

10. Changes Are Needed in the Proposed Departmental Review and Evaluation of the Puerto Rico Block Grant. CED-82-50, February 24, 1982
(See Title XIII p. 67.)

11. Expedited Service in the Food Stamp Program. CED-82-59, March 15, 1982
(See Title XIII p. 68.)

12. Federal Efforts to Simplify the AFDC, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures. HRD-82-72, May 18, 1982
(See Title XIII p. 69.)

13. Food Stamp Program Application Processing Time. CED-82-87, May 21, 1982
(See Title XIII p. 70.)

14. Progress Made in Federal Human Nutrition Research Planning and Coordination: Some Improvements Needed. CED-82-56, May 21, 1982
(See Title XIV p. 92.)

15. Use of Scrip Versus Cash in Making Change for Food Stamp Purchases. CED-82-89, May 21, 1982
(See Title XIII p. 70.)

16. States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program. CED-82-103, June 16, 1982
(See Title XIII p. 71.)

17. Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud. RCED-83-40, February 4, 1983
(See Title XIII p. 72.)

18. Small Percentage of Military Families Eligible for Food Stamps. FPCD-83-25, April 19, 1983
(See Title XIII p. 75.)

19. Public and Private Efforts to Feed America's Poor. RCED-83-164, June 23, 1983
(See Title XI p. 33.)

20. Implementation of Section 191 of the Omnibus Budget Reconciliation Act of 1982. RCED-83-190, July 8, 1983
(See Title XI p. 34.)

21. Observations on the National School Lunch Program's Assessment, Improvement, and Monitoring System. Letter Report, September 7, 1983

SUMMARY:

GAO conducted a survey to obtain information on the operation of the Food and Nutrition Service's (FNS's) Assessment, Improvement, and Monitoring System which focuses on four standards to improve the management of the National School Lunch Program and assure correct claims for federal program reimbursement. These standards provided that (1) applications must be correctly approved or denied, (2) the number of meals claimed by each school must be no more than the number of children correctly approved in each school, (3) school recording systems must yield correct claims for reimbursement, and (4) meals must provide the required food components.

In the four states which GAO visited, GAO found that financial restitution was not required from local school food authorities (SFAs) that failed to meet the first performance standard by more than the 10-percent error tolerance level allowed for invalid applications. In addition, GAO found that follow-up review requirements for schools found to be not in compliance may be too lenient. Schools may not meet a performance standard and not be subject to another review for years. Although they have the option to do so, GAO found that none of the four states elected to require restitution from SFAs not meeting performance standards 2, 3, or 4 on the basis of initial reviews. Restitution is required for noncompliances found in follow-up reviews. GAO found the second performance standard to be overly lenient as a measure of whether free and reduced-price lunch counts were excessive. In addition, GAO found that the third standard was not consistently applied and that the fourth performance standard does not assure that the quantities served to each student comply with the regulations. Finally, GAO found that there is a need for a performance standard covering verification of information on applications, since ineligible children receive free meals because of inaccurate reporting of family income or size.

Recommendations: The Administrator, FNS, should consider (1) requiring states to take financial action against school food authorities that do not meet the first performance standard, perhaps on the basis of a sliding scale depending upon the extent to which the percent or number of invalid applications exceeds the tolerance set and (2) setting a lower tolerance for the first performance standard, because the 10-percent tolerance seems high compared with error-rate tolerances established for the Food Stamp Program. The Administrator, FNS, should reexamine the adequacy of the 25-percent requirement for follow-up reviews. The Administrator, FNS, should consider requiring restitution from school food authorities that do not meet Assessment, Improvement, and Monitoring System (AIMS) standards on an initial review. The Administrator, FNS, should require that efforts

be made to develop better ways to judge whether meal counts are excessive. The Administrator, FNS, should (1) consider requiring states to test meal counts under the third performance standard to provide a better degree of assurance that school food authority reimbursement claims are accurate and (2) provide states additional guidance on what amount of restitution should be required when schools do not have, or use, an approved system for counting meals served. The Administrator, FNS, should require that the needed guidance for monitoring the requirement that minimum quantities of various types of food be served to qualify for federal reimbursement be developed and provided to the states as long as Service regulations continue the requirement, and that compliance with the requirement be made a part of AIMS. The Administrator, FNS, should develop an additional AIMS standard for monitoring school food authority compliance with the new program requirement that state agencies verify 3 percent or 3,000, whichever is less, of a school food authority's approved applications for free or reduced-price school meals.

UPDATE:

The Department of Agriculture said the recommendations would be useful as it continues to develop and use the Assessment, Improvement, and Monitoring System.

22. WIC Evaluations Provide Some Favorable but No Conclusive Evidence on the Effects Expected for the Special Supplemental Program for Women, Infants, and Children. PEMD-84-4, January 30, 1984

SUMMARY:

In response to a congressional request, GAO reviewed evaluations of the effectiveness of the Supplemental Program for Women, Infants, and Children (WIC). The review focused on the effects of the program on miscarriages, still-births, neonatal deaths, maternal nutrition, and high-risk mothers, as well as claims that the WIC program is directly related to positive outcomes in these areas. GAO also reviewed the effect of the WIC program on birthweights and claims that the program reduces the chances for anemia and mental retardation in infants and children.

GAO found that there is insufficient information to make any general or conclusive judgments as to whether the WIC program is effective or not. However, there are indications that the program has had positive effects in some areas. Six of the WIC studies containing information about infant birthweights are of high or medium quality and they give some support for the claims that WIC increases infant birthweights. However, GAO did not find conclusive evidence that the WIC program (1) lessened the number of fetal and neonatal deaths,

(2) was associated with better maternal nutrition, (3) prevented anemia in infants and children, (4) had an effect on mental retardation, or (5) had a positive effect on the birthweights of the infants of mothers who were teenagers or blacks or had several health- and nutrition-related risks. GAO found almost no information about the separate effects of WIC services for food supplements, nutrition counseling, and adjunct health care. Many of the documents which GAO reviewed did not adequately describe the design, execution, or analyses that were used in the evaluation effort; therefore, it was difficult to determine the technical adequacy of the findings. However, progress has been seen in the improvement of designs and methodologies of recent evaluations.

23. Federal and State Initiatives Needed to Improve Productivity and Reduce Administrative Costs of the Aid to Families With Dependent Children and Food Stamp Programs. AFMD-84-18, February 2, 1984
(See Title XIII p. 76.)

24. Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits. RCED-84-155, April 25, 1984
(See Title XIII p. 77.)

25. Participation in the National School Lunch Program. RCED-84-132, March 30, 1984

SUMMARY:

In response to a congressional request, GAO analyzed participation in the National School Lunch Program during the years immediately preceding and following changes made by the Omnibus Reconciliation Act of 1980 and the Omnibus Budget Reconciliation Act of 1981, in the federal reimbursement rates to schools and income eligibility criteria for free and reduced-price meals. GAO (1) determined the number of students receiving free, reduced-price, and full-price school lunches, (2) determined the extent to which schools have dropped out of the program in recent years, (3) compared data on the number of families with eligible children and incomes meeting program eligibility criteria with program expenditure data, and (4) discussed data on School Lunch Program participation reported by the President's Task Force on Food Assistance.

GAO found that, over the past 5 years, the number of students participating in the School Lunch Program has declined from 27 million to 23.1 million. This decline is primarily attributable to reductions in the number of students eating full-price lunches. There has been a 2.9-percent decline in the number of schools in the nation over the past 5 years and a 6.5-percent decline in student enrollment. Although the 1980 and 1981 acts tightened eligibility criteria,

total federal expenditures for the School Lunch Program were greater in 1983 than at any time in the 5-year period except the peak year of 1981. During the same period, a greater share of federal School Lunch Program expenditures was used to provide students with free lunches. Between 1979 and 1982, the number of families with school-age children and incomes at or below the non-farm income poverty level increased, the number of families with children eligible for reduced-price lunches also increased, but the number of higher income families decreased. In addition, federal expenditures for reduced-price and full-price lunches decreased. The President's Task Force on Food Assistance concluded that the percentage of families at or below the poverty threshold with school-age children receiving free or reduced-price lunches remained stable between 1979 and 1982 while participation in the program declined for families with higher incomes. GAO found the Task Force's conclusions to be consistent with the trends it reported.

26. The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better. RCED-84-94, May 30, 1984
(See Title XIII p. 78.)

27. Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity. RCED-84-112, September 11, 1984
(See Title XIII p. 80.)

28. Quality Control Error Rates for the Food Stamp Program. RCED-85-98, April 12, 1985
(See Title XIII p. 83.)

29. Overview and Perspectives on the Food Stamp Program. RCED-85-109, April 17, 1985
(See Title XIII p. 84.)

FEDERAL FOOD/AGRICULTURE INFORMATION

1. Informing the Public About Food--A Strategy Is Needed for Improving Communication. CED-82-12, January 8, 1982

SUMMARY:

Consumers need concise, clear food information as more food products come on the market and inflation drives food prices up. Food information, regulations, and programs have multiplied rapidly in the past decade. Some believe that the information resulting from these efforts is conflicting, confusing, and duplicative. GAO made a review to expand on its earlier suggestion that a cooperative undertaking was needed to develop a national food information strategy which would include a system for performing research on foods and educating consumers.

The federal government has developed a wide array of regulations and programs to control food labels and to encourage and teach good food buying, storage, and preparation habits. GAO has identified over 125 federal food data-gathering and information dissemination programs. There has been a heightened awareness of food issues, a safer food supply, and more coordination among federal agencies with food information programs. However, lack of a national food information strategy has allowed programs and regulations to be developed piecemeal so that they are sometimes inconsistent; based on inadequate data; and formulated without integrating the research, education, and communication components of the food information system. The United States could learn from steps which other nations have taken to improve their food information systems. Three federal agencies have proposed requiring that food labels contain certain information without proper assurance that consumers need or would use the information. In 1980, GAO suggested that the proposal should not be implemented but that an overall food information strategy be developed cooperatively by a committee of representatives from the government, industry, academia, and consumer groups. Food experts also feel that a consortium of key federal officials should be established to pool their expertise and develop a national plan that would define U.S. food information needs and communication methods, provide additional scientific information on controversial issues, and evaluate existing programs.

Recommendation: The Secretaries of Agriculture and Health and Human Services and the Chairman of the Federal Trade Commission should jointly develop and submit to concerned congressional committees and the President a strategy for improving the communication of food information to the public. The strategy should incorporate the views and ideas of the various food groups expressed in this report.

UPDATE:

The Departments of Agriculture and Health and Human Services, and the Federal Trade Commission are part of the Network for Better Nutrition to determine improved nutritional strategy for the communication of food information to the public.

2. Opportunities for Reducing the Cost of the 1982 Agricultural and Economic Censuses. GGD-82-43, February 10, 1982

SUMMARY:

GAO reviewed the agricultural and economic censuses, examining costs already incurred and the Bureau's estimated future costs to aid the fiscal year 1983 budget reconciliation

process. In examining costs, GAO (1) compared the 1982 censuses to previous censuses to identify changes and their expected benefits and (2) determined the usefulness of work already performed if portions of the censuses were reduced or eliminated and the effect of the changes on estimated costs.

If budget cuts arise, the Bureau of the Census is considering reducing the size and scope of the agricultural and economic censuses. For the agricultural census, the Bureau could save $13 million by eliminating an area sample, raising the threshold for defining a farm, and eliminating the censuses of areas outside the United States. For the economic censuses, the Bureau is considering eliminating the data that are collected on a sample basis, which include data on transportation, minority-owned businesses, and major retail and central business districts. With these actions, the Bureau could save about $6.7 million spent on the economic censuses and not affect the data gathering from establishments included in the censuses for retail and wholesale trade, selected service industries, mining and manufacturers, and construction. If the budget cuts are made within the next few months, the Bureau could save about $19.7 million. The Bureau plans to conduct the 1982 censuses similarly to the previous censuses, except for the introduction of a changed method of data entry using computer technology. Bureau data show that, aside from increases due to inflation, there will be no additional increases in the cost of taking the 1982 censuses. The Bureau believes that the cost of the new technology, including the use of a newly acquired computer, will be offset by reduced personnel costs. Although proposed reductions would affect the completeness of the agricultural census, the specific effect on the utility of the data has not been determined.

3. Better Ways to Provide for Use of Agricultural Information. CED-82-46, February 26, 1982

GAO was requested to provide information on the (1) magnitude of data sources available in one specific agricultural subject area, water for irrigation, (2) types and characteristics of services that provide information, (3) types and characteristics of users having a need for information on agriculture, and (4) ways to arrange or structure various data sources to provide users with timely access to available and useful information.

GAO found that (1) the amount of data available on the topic, water for irrigation, is voluminous and is presented in innumerable ways by a wide array of information services, (2) users have complained that information services, which provide bibliographic data, do not respond in a timely manner and that the information they provide lacks specificity, is not in an appropriate form, or is costly, (3) different types of users have unique information needs and various levels of understanding and ability to access information, and (4) an

alternative to the current approach for using the massive amount of agricultural information is an information megasystem which would involve putting existing information into one large data base. Another alternative is a user clearinghouse network which would employ a telephone communication network to provide user access to all existing information sources; it would require little user knowledge of sources or experience in accessing them. The Department of Agriculture has a conceptual plan for such a clearinghouse network, but it is still in the initial stages of development.

4. What Can Be Done to Improve Nutrition Education Efforts in the Schools. CED-82-65, May 25, 1982

SUMMARY:

GAO reviewed the status of nutrition education in the schools and what the federal government can do to help improve it. GAO found that neither the Department of Agriculture (USDA) nor the Department of Education have gathered information on federally funded nutrition education projects for assessment and dissemination of the results to state and local education agencies. USDA claimed that it lacked Nutrition Education and Training Program funds to reproduce and disseminate information and that it has no criteria to assess the quality of nutrition education information. Both USDA and Education have systems to gather and disseminate information, so no new mechanism should be needed. USDA requires participating states to evaluate the Nutrition Education and Training Program's effectiveness and specify objectives on the basis of participants' needs. Three of the four states GAO visited did not evaluate their program's effectiveness or specify objectives on participants' knowledge, attitudes, or behavior. This occurred because USDA did not provide adequate guidance or training to states on evaluations and objectives. As a result, states had difficulty identifying evaluation materials. Coordination efforts are weak at all levels: between USDA and Education, and within the USDA Nutrition Education and Training Program and private sector groups, such as the dairy council. Many teachers are not prepared to teach nutrition upon entering the teaching profession, because few states require teachers to take nutrition courses.

Recommendations: The Secretary of Agriculture should convene a panel of experts to develop guidelines for evaluating the quality of available nutrition education efforts for use in the schools. The panel should include teachers, food service personnel, nutritionists, system design experts, and other appropriate persons. The Secretary of Agriculture should (1) share these guidelines with interested state and local education agencies, (2) systematically gather and evaluate to the extent possible information on nutrition education projects that meet the established guidelines, and (3) provide

state and local education agencies and other interested parties access to the evaluation results and nutrition education information meeting the guidelines. Department of Agriculture and Department of Education dissemination systems should be adequate for this purpose.

The Secretary of Agriculture should aid interested states by developing (1) general program goals and comprehensive guidance on how to specify program objectives for students, teachers, and food service personnel in the areas of knowledge, attitude, and/or behavior and (2) evaluation guidance for measuring changes in participants' knowledge, attitudes, and/or behavior. The Secretary of Agriculture should convene a panel of experts to help develop the above guidance and establish program goals. These experts should include nutritionists, teachers, school administrators, education evaluators, and other appropriate groups. Once USDA develops the guidance, states would have the option of using it or of developing their own.

The Secretary of Agriculture should coordinate the USDA nutrition education activities for the schools with the Department of Education's nutrition education activities. This coordination should include, among other things (1) identifying and sharing with interested state and local education agencies the extent and results of successful nutrition education activities to prevent unnecessary duplication and (2) developing a unified strategy to reach as many students as possible needing nutrition education. The coordination should occur at the federal level, be encouraged at the state level, and, at all government levels, should include the private sector, such as the dairy councils.

The Secretary of Agriculture should discuss with the state education agencies involved in administering child nutrition programs and in providing nutrition education in the schools what approaches might be taken to help ensure that teachers have the basic skills needed to teach nutrition. One topic that should be included in the discussion is the possibility of establishing for all elementary schoolteachers and secondary schoolteachers in such subjects as home economics, health, and science (1) nutrition education as a prerequisite for certification of new teachers and (2) competency levels for nutrition education and providing in service training for teachers needing help in achieving these competency levels.

UPDATE:

Agriculture said that the recommendations are contrary to directions it has been receiving from both the President and the Congress.

5. How the Content of the Agricultural and Economic Censuses Is Determined and Used. IMTEC-83-4, September 2, 1983

SUMMARY:

In response to a congressional request, GAO reviewed the 1982 agricultural and economic censuses, focusing on how the Bureau of Census determines their content and how the data are actually used. By law (13 U.S.C. S131 and 142), every 5 years certain activities, such as agriculture and manufacturing, are covered by these censuses.

GAO found that, due to the large volume of data and the variety of data users involved, the Bureau did not attempt to formally verify the need for data. However, it did attempt to design the census questionnaires to enable it to collect accurate and useful data by (1) reviewing the results of prior censuses to determine questions that elicited incomplete or insignificant responses, (2) soliciting comments from a broad range of data users and providers, and (3) submitting questionnaires for external reviews. These various procedures resulted in few major changes to the questionnaires. GAO found that, for the many federal and non-federal organizations that use the data, the economic censuses provide an integrated data base for computing and adjusting major government economic indicators, input for designing current economic surveys; and a basis for developing marketing strategies in the private sector. The agriculture census is used by federal and state agencies and the private sector to analyze long-term trends and local area data and contains the only published, consistent county-level data. The Department of Agriculture's Statistical Reporting Service, the provider of the most current agricultural information, uses the agricultural census data to aid in the allocation of its state-level data to counties.

6. ASCS Needs Better Information to Adequately Assess Proposed County and State Office Automation. IMTEC-84-11, May 25, 1984

SUMMARY:

GAO examined the Agricultural Stabilization and Conservation Service's (ASCS's) cost-benefit analysis to determine whether ASCS adequately justified the automation of its state and county offices.

Before automating the state and county offices that administer ASCS commodity and land use programs, ASCS tested the idea in seven county offices. The ASCS cost-benefit analysis shows greater estimated benefits than costs. GAO determined that the ASCS analysis may be overly optimistic. GAO found that the estimates are uncertain because ASCS relied on judgment rather than historical data to project many costs and benefits, and available evidence does not support some of the projections. Most of the estimated benefits are based on projections of saved staff time and improved accuracy. Further, the accuracy improvement is not substantiated by evidence, and

other benefits are overstated. Estimated costs for equipment and maintenance appear to have been understated. Finally, ASCS plans to use untested technology for the implementation phase, which increases the risk of unforeseen expenses.

Recommendation: The Secretary of Agriculture should direct ASCS to proceed with the prototype project in three states and defer the planned nationwide automation of state and county offices until the prototype has provided credible cost-benefit information and tested the technology.

UPDATE:

ASCS has awarded a contract to IBM. An ASCS official stated that the first phase of the contract will automate three states completely--Kansas, South Carolina, and California--as stated in ASCS' July 27, 1984, response to our report. The response also stated that ASCS will (1) document actual costs and benefits and compare them to projections and (2) prepare and submit a report to the House and Senate Appropriations Committees.

FEDERAL FOOD MARKETING

1. Promoting Agricultural Exports to Latin America. ID-81-5, December 11, 1980
(See Title XII p. 36.)

2. Competition Among Suppliers in the P.L. 480 Concessional Food Sales Program. ID-81-6, December 19, 1980
(See Title XII p. 39.)

3. Suspension of Grain Sales to Soviet Union: Monitoring Difficult--Shortfall Substantially Offset. C-CED-81-1, March 3, 1981
(See Title XII p. 36.)

4. U.S. Assistance to Egyptian Agriculture: Slow Progress After 5 Years. ID-81-19, March 16, 1981
(See Title XII p. 40.)

5. Poor Planning and Management Hamper Effectiveness of AID's Program to Increase Fertilizer Use in Bangladesh. ID-81-26, March 31, 1981
(See Title XII p. 41.)

6. U.S. Grain Transportation Network Needs System Perspective to Meet Future World Needs. CED-81-59, April 8, 1981

SUMMARY:

GAO examined the grain transportation system. It identified actual and potential bottlenecks, explained their significance, and explored the status of activities addressing

them. The grain transportation system in the United States is complex and interrelated and involves railroads, waterways, roads, and ports. Changes and events in one area affect all others, straining their ability to perform efficiently.

Efforts to improve grain transportation tend to concentrate on individual transportation modes rather than on the transportation network as a whole. An integrated analysis that considers interrelationships between the various components of the grain transportation system has yet to be conducted. An analysis is needed of overall system constraints, interactions, and solutions to prepare for the expanding export industry. Several problems threaten the ability of the grain transportation system to meet future demand (1) the widely held notion of railcar shortages is symptomatic of a more serious problem, inefficient use of railcars, (2) the proportion of grain moved by truck has increased, (3) waterborne shipments continue to exceed forecasts, and there is widespread concern that the growth of grain exports could be limited by lock and dam constraints, and (4) each major grain exporting port GAO visited was hampered by problems of congestion and inefficiency.

Recommendations: The Secretary of Agriculture should (1) expand the monitoring of the grain transportation system to identify potential bottlenecks and analyze their impact on the total grain transportation system and (2) bring together industry, labor, and government to explore the best way to alleviate present bottlenecks and forestall future ones. The Secretary of Agriculture should (1) examine the impact of a changing railroad role in grain movement on alternative modes of transportation and export facilities, (2) explore the relationship of grain shipments via the Mississippi River and the Great Lakes and the capability of the Welland Canal to accommodate projected Great Lakes grain shipments and suggest actions that could be taken to improve movement through the canal, and (3) determine the impact of port congestion and inefficiencies on the entire grain transportation system and help involved parties find solutions to improve overall system effectiveness. The Secretary of Agriculture should review the level of resources available for focusing in on the overall transportation system for the purpose of determining what adjustments are warranted.

UPDATE:

USDA's Office of Transportation in conjunction with the Department of Transportation is continuing to monitor the grain transportation system. Unlike the situation in 1981 when the report was issued, in 1984 USDA said there are no transportation system bottlenecks. They are continuing to monitor the role of the railroad in grain movement and assisting the states in planning. The Office of Transportation is also continuing to monitor port capacities but are not now

coordinating this with the Department of Transportation as reported in 1981.

7. Food for Development Program Constrained by Unresolved Management and Policy Questions. ID-81-32, June 23, 1981
(See Title XII p. 42.)

8. Analysis of Certain Aspects of the California-Arizona Navel Orange Marketing Order. CED-81-129, July 2, 1981

SUMMARY:

GAO reviewed certain aspects of the California-Arizona navel orange marketing order and provided background information on marketing orders in general and more specifically on the navel orange marketing order.

GAO found that (1) the Navel Orange Administrative Committee's composition, which is established in federal regulations, only assures adequate consideration of navel orange industry interests because it consists primarily of industry members and did not include any members chosen by consumers, (2) about 83,000 tons of oranges were sold as cattle feed in 1981, (3) there was no evidence that fruit was dumped or otherwise destroyed, (4) 1980-81 orange prices may have been lower without the marketing order, but the long-range implications of marketing order termination are unknown, (5) many of the oranges fed to cattle came from groves receiving federal water but it would be very difficult, if not impossible, to determine exactly how much, (6) the composition of the marketing order Committee does not violate federal conflict-of-interest laws, (7) the Navel Orange Administrative Committee does not have the authority to advertise oranges generically, but growers who favor generic advertising are seeking ways of doing so outside of the Committee, (8) handlers who have spoken out against the marketing order have not been audited more frequently than others, and (9) two growers have received extra compensation for serving on the Committee, but this practice has ceased because the Department of Agriculture said it was unacceptable and would result in removal of the growers from the Committee.

9. Lessons to Be Learned From Offsetting the Impact of the Soviet Grain Sales Suspension. CED-81-110, July 27, 1981
(See Title XII p. 37.)

10. Emerging Issues From New Product Development in Food Manufacturing Industries. CED-81-138, August 19, 1981

GAO examined the nature and magnitude of the changes that have taken place in the food industry and identified issues which related to them. It did not attempt to provide resolution of the issues nor did it intend for its list to be all-inclusive. The issues should help to provide a better

understanding of the complex task facing policymakers in analyzing the performance of the food manufacturing industry. The structure of the food industry has undergone a significant transformation over the past half century. More new products are now being manufactured by fewer firms. The frequency of high market concentration, whereby fewer and fewer firms account for most sales or market production, and its effects on competition, raises a number of questions for consideration by the government and society as a whole. However, the ability of the government and society to analyze the industry's performance has not kept pace where the primary focus of competitive activity has been new product development. Policymakers are faced with a complicated challenge: defining performance measures to determine how well the market system serves the aims of society.

11. AID and Universities Have Yet to Forge An Effective Partnership To Combat World Food Problems. ID-82-3, October 16, 1981
(See Title XII p. 43.)

12. The Packers and Stockyards Administration's Regulatory Reform Activities. CED-82-11, November 16, 1981

SUMMARY:

In response to a congressional request, GAO reviewed the Department of Agriculture's Packers and Stockyards Administration's (P&SA's) regulatory reform activities. GAO was particularly interested in the P&SA task force which was established in January 1981 to review and recommend changes in P&SA regulations and policy statements to reduce unnecessary regulatory burdens on the livestock industry. GAO summarized the P&SA regulatory burdens on the livestock industry. GAO summarized the P&SA regulatory reform process and discussed the task force's recommended changes in four major areas: (1) bonding requirements, (2) custodial accounts, (3) trade practices, and (4) sales promotion programs.

The Packers and Stockyards Act is intended to assure fair competition and fair trade practices in the marketing of livestock, meat, and poultry as well as meat and poultry products. P&SA administers the act by regulating stockyards, packers, market agencies, and dealers engaged in interstate commerce. During its study, the P&SA task force sought input from various sectors of the livestock industry through meetings with various national organizations representing the industry. According to P&SA task force officials, many of the task force recommendations would not only reduce the regulatory burden on the livestock marketing industry but would update and streamline the regulations and policy statements and make them easier for the industry to understand and follow. The national organization representatives with whom GAO spoke were generally satisfied with the way P&SA was going about its

regulatory reform activities. Currently, all dealers and market agencies are required to maintain or file a minimum $5,000 bond. The task force recommended that small dealers be exempt from bonding requirements. Current P&SA regulations require market agencies selling on commission to reimburse custodial accounts for uncollected receivables after 3 days, which the task force recommended be extended to 7 days. The task force also recommended that the restrictions on trade practices regulations be consolidated and simplified and that the meat packer sales promotion programs policy statement be revoked primarily due to administrative costs.

13. Letter of Inquiry on AID Agricultural Research Activities. Letter Report, February 3, 1982
(See Title XII p. 45.)

14. Agricultural Marketing Act Inspections Should Be Administered by Single USDA Agency. CED-82-69, May 21, 1982

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA's) food inspection and grading activities carried out under the Agriculture Marketing Act of 1946. Responsibility within USDA for these activities is currently shared by the Agricultural Marketing Service (AMS) and the Federal Grain Inspection Service (FGIS). GAO also reviewed this division of responsibility.

GAO found that FGIS relies on local individuals under annual personal service contracts called contract samplers rather than its own employees to do contract compliance inspections. Samplers, however are difficult to attract and retain, primarily because the work is part-time and irregular and earning potential is low. FGIS also has had problems with the reliability and the quality of the samplers' work, but FGIS has found it difficult to adequately monitor the samplers' performance because its field offices and employees usually are not located near the plants at which the samplers work. AMS provides contract compliance services for most act products and it usually has employees near or in the immediate area of plants under FGIS jurisdiction who could absorb most of the FGIS workload. Therefore, because the AMS employees usually are either full-time or part-time commodity graders with higher qualifications and more experience than FGIS' samplers, they likely would provide higher quality and more reliable services. Since testing processed grain products in connection with contract compliance inspections is the primary mission of the FGIS laboratory, it could also be transferred to AMS, because AMS has three laboratories that do similar testing. FGIS now diverts a certain amount of testing work to private laboratories to keep them under contract in case their facility cannot handle peak workloads.

FGIS provides other services under the act besides contract compliance services such as grading grain-related commodities and inspecting and testing grain and processed commodities being exported. GAO believes that transferring the act functions would be desirable, even though such a transfer would not necessarily result in higher quality or more efficient services. Without these act responsibilities, FGIS could devote more attention to its primary grain inspection mission and could better maintain that program's integrity despite staff cutbacks. FGIS already has personnel at major ports. Therefore, it would provide export inspection services more efficiently than AMS.

Recommendations: The Secretary of Agriculture should transfer to AMS responsibility for inspecting and grading commodities covered by the Agricultural Marketing Act of 1946 that are now assigned to FGIS. As part of this action, the Secretary should (1) transfer a sufficient number of FGIS personnel with expertise in grading rice and other commodities which FGIS now grades under the act, (2) transfer FGIS commodity testing laboratory in Beltsville, Maryland, (3) instruct the Administrators of FGIS and AMS to execute a memorandum of understanding providing for FGIS personnel to continue inspection and testing services they now provide on exported commodities, and (4) instruct the Administrator of AMS to establish a formal policy and system for maximizing cross-utilization of AMS personnel on contract compliance inspection work.

The Secretary of Agriculture should instruct the Administrator of FGIS to either (1) transfer grain research work now done by the Beltsville laboratory to the FGIS laboratory in Grandview, Missouri, or (2) effect a memorandum of agreement with the Administrator of AMS, providing for the Beltsville laboratory to continue this work on a reimbursable basis.

UPDATE:

USDA disagreed with all but one of the recommendations. While agreeing that centralized management of like functions is normally desirable, USDA maintained that a split in responsibilities for Agriculture Marketing Act inspection and grading activities is justified because of similarities in inspections conducted under the U.S. Grain Standards Act. Accordingly, USDA plans no action on the recommendations, except to cross-utilize, where practical, personnel assigned to the two agencies which carry out the activities in question. After studying this approach, the agencies concluded that cross-utilization nationally, while desirable, would not be practical. In March 1983, the agencies agreed to cross-utilize personnel and transfer responsibility for individual plants on a case-by-case basis so that personnel from both agencies would not be inspecting different products of the

same contractor's plant. Such actions have been taken at eight individual plants.

15. Food Conservation Should Receive Greater Attention in AID Agricultural Assistance Policies and Programs. ID-82-29, June 3, 1982
(See Title XII p. 45.)

16. Market Structure and Pricing of U.S. Grain Export System. CED-82-61 and CED-82-61S, June 15, 1982

SUMMARY:

The purposes of this study and its supplement were to obtain a better understanding of the U.S. grain export system and to analyze at least some aspects of its performance. Specifically, GAO wanted to (1) describe the system in terms of its organization, (2) describe the way in which grain trading occurs, (3) define some performance measures, and (4) conduct an empirical analysis of these measures.

Suspicions and innuendos concerning the U.S. grain export system have oftentimes abounded with much of the concern centered on the system's high degree of market concentration. This study promotes a better understanding of the system in terms of how it is structured and how it works.

The U.S. grain export system is a relatively free market system which relies on competitive prices and limited federal regulation to keep it running smoothly, fairly, and efficiently. GAO, in examining the system's market structure, found that although the grain export system is relatively concentrated, the level of concentration has been on the decline in recent years and is less than some people perceive it to be.

Grain prices serve as economic signals to grain traders, producers, and consumers and influence the decisions each makes regarding grain marketing. If each is to make the best decisions, it is important that information affecting grain prices be reflected in those prices as quickly and accurately as possible. Using Chicago Board of Trade commodity futures price data and Department of Agriculture export sales information, and applying regression and other specialized statistical techniques such as spectral and cross-spectral analysis to test the relationship between these two variables, GAO found that the U.S. grain export system translates information about grain export sales into price changes with reasonable efficiency and that the Department of Agriculture's Export Sales Reporting System plays an important role in providing for and maintaining informational or pricing efficiency in the system.

17. International Assistance to Refugees in Africa Can Be Improved. ID-83-2, December 29, 1982
(See Title XII p. 47.)

18. Managing the Transportation of U.S.-Donated Food to Developing Countries. ID-83-24, March 3, 1983
(See Title XII p. 49.)

19. Agency for International Development's Assistance to Jamaica. ID-83-45, April 19, 1983
(See Title XII p. 50.)

20. Irrigation Assistance to Developing Countries Should Require Stronger Commitments to Operation and Maintenance. NSIAD-83-31, August 29, 1983
(See Title XII p. 51.)

21. Africa's Agricultural Policies--A More Concerted Effort Will Be Needed If Reform Is Expected. NSIAD-83-36, September 8, 1983
(See Title XII p. 53.)

22. Economic Effects of Cargo Preference Laws. OCE-84-3, January 31, 1984
(See Title XII p. 54.)

23. Electronic Marketing of Agricultural Commodities: An Evolutionary Trend. RCED-84-97, March 8, 1984

SUMMARY:

In response to a congressional request, GAO reported on the efforts of the Department of Agriculture (USDA) to develop electronic marketing for agricultural commodities, the benefits and problems of electronic marketing, and the status of electronic marketing in agriculture.

USDA is monitoring the use of electronic systems in marketing livestock, providing educational activities to persons interested in learning about electronic marketing systems, and funding pilot projects to demonstrate the feasibility of computerized electronic marketing. Overall, the projects demonstrated that agricultural commodities can be traded electronically and that electronic marketing is a feasible alternative to current marketing systems. However, the studies showed that, to be successful and economically viable, trading volume must be sufficient to cover the fixed and operating costs of an electronic market as well as to attract and keep traders in the system. The projects showed that electronic marketing improved market information, increased marketing efficiency, increased competition, and increased access to the market for both buyers and sellers. In addition, transportation costs are lower because an electronic market eliminates the need for central assembly of products

before sale. Some of the problems associated with electronic marketing include concerns that products cannot be adequately described, personal interchange will be lost, buyers and sellers will not perform according to the terms stipulated in the trade, and electronic marketing is not cost-effective. In addition, some potential users are unwilling to participate or see no advantage in participating.

24. Foreign Currency Purchases Can Be Reduced Through Greater Use of Currency Use Payments Under Public Law 480 Commodity Sales Agreement. NSIAD-84-76, April 10, 1984
(See Title XII p. 55.)

25. Regulation of the Poultry Industry Under the Packers and Stockyards Act. RCED-84-110, April 13, 1984

SUMMARY:

GAO studied the poultry industry and the regulation of the industry by the Department of Agriculture (USDA), focusing on (1) industry structure, (2) differences between regulation of the poultry and the livestock industries, and (3) issues and concerns affecting regulation of the poultry industry.

GAO found that the poultry industry has changed from one of small independent producers into a highly integrated industry in which producers grow poultry under contracts with processors. Poultry consumers have benefited from this integration because of increased production, decreased real prices, and consistent quality. The poultry industry is regulated by USDA's Packers and Stockyards Administration. The Administration regulates the industry by ensuring that contracts between producers and processors are complied with. Regulation of the poultry industry differs from regulation of the livestock industry in that USDA has no authority to issue cease and desist orders in poultry cases. USDA must report violations in poultry cases to the Department of Justice for possible prosecution. Problems facing the poultry industry include (1) poultry growers not being paid by processors that declare bankruptcy and (2) the recent outbreak of avian flu, which caused over 10 million birds to be destroyed as of February, 1984. GAO found varying opinions among poultry producers and processors as to whether these problems mandate legislative changes in USDA regulatory authority over the poultry industry.

26. Opportunities for Greater Cost Effectiveness in Public Law 480, Title I Food Purchases. NSIAD-84-69, April 19, 1984
(See Title XII p. 56.)

27. Peruvian Rice Purchases Guaranteed by the Commodity Credit Corporation. NSIAD-84-116, June 7, 1984
(See Title XII p. 58.)

28. Overpayment of Transportation Costs for Public Law 480 Commodities. NSIAD-85-21, October 24, 1984
(See Title XII p. 58.)

29. Controls Over Export Sales Reporting And Futures Trading Help Ensure Fairness, Integrity, And Pricing Efficiency in the U.S. Grain Marketing System. RCED-85-20, April 9, 1985

SUMMARY:

The U.S. grain marketing system provides a means by which large quantities of grain valued in the billions of dollars are moved from America's farmland to domestic and foreign users. As the size, scope, and dominance of this system have grown in recent years, so has the question of whether additional regulation is needed to ensure that system participants are treated fairly and that the financial and economic soundness of the marketplace is protected.

GAO found that, at present, controls established by the Department of Agriculture, the Commodity Futures Trading Commission, and private industry over export sales reporting and certain aspects of futures trading help ensure fairness and soundness in the U.S. grain marketing system. GAO believes, however, that continued rapid expansion in grain marketing and related futures markets needs watching to ensure that regulatory staffs keep up with the workload.

GAO's examination of the relationship between grain futures prices and export sales information found little to suggest that the grain markets are not efficient in transforming reported sales information into price changes.

FEDERAL FOOD PURCHASING

1. Department of Defense Food Service Program Needs Contracting and Management Improvements. PLRD-82-3, October 20, 1981

SUMMARY:

In view of the magnitude of the Department of Defense's (DOD's) Food Service Program and ever-rising food costs, GAO reviewed how well the program is working by visiting dining facilities at selected military installations.

DOD and the military services do not have an effective common means of measuring contracting cost and performance and comparing contracted operations between military services, bases of the same service, and dining facilities on the same base. GAO also found indications that the food cost index, which is the basis for the budgetary control device known as the basic daily food allowance, may be higher than necessary to provide the specified daily quantities of meat and beverages. This generosity and the "use it or lose it" mentality

encourages lax food accountability and fosters waste and abuse. Daily head counts of the number of people being fed, multiplied by the allowance, results in funding available for the food service operations. GAO also found problems in controlling the head counts and stopping unauthorized persons from eating free meals. In addition, GAO found that the program had weak and ineffective top-level management and direction. Further, because the funds to run the program come from a variety of appropriations, the DOD accounting systems do not segregate and accumulate overall food service costs. As a result, total program costs are not available. DOD recognized this problem over 10 years ago; however, it still has not solved it.

Recommendations:

The Secretary of Defense should take appropriate actions that will require that the current DOD efforts in developing and testing of improved food service contract methods provide for (1) uniform statements of work for full food service, dining facility attendants, and food preparation, (2) common units of measure (preferably the meal), (3) uniform meal volume adjustment formulas, (4) measurable performance standards, (5) inspection provisions requiring adequate documentation, and (6) equitable deduction rates for unacceptable contractor performance. The Secretary of Defense should take appropriate actions that will (1) provide for retaining adequately documented inspection records supporting contract payments long enough to enable contract administrators and auditors to verify that the government received the services paid for, (2) reemphasize the need to consider recent past experience as well as anticipated major personnel changes in preparing the estimates of the number of meals to minimize unrealistic contract bids and proposals, unprogrammed cost increases, and contractor claims and disputes, and (3) remind contracting officers that comprehensive preaward surveys of potential food service contractors should be made in sufficient detail to reveal potential problem areas and to identify marginal or unsatisfactory past contractor performance.

The Secretary of Defense should require the development of a food cost index which is based on the actual items and costs of food used by military dining facilities. This would mean not starting with the value of the old ration, but developing a new cost index on the basis of the food that is actually served, considering nutritional requirements, customer preferences, food utilization patterns, and economic factors. The Secretary of Defense should take actions to improve the internal control over food inventories and only allow access to dining facilities by authorized people.

The Secretary of Defense should establish a functional budget and accounting category entitled Food Service within DOD and the military services for segregating and accumulating

total costs for the DOD Food Service Program and (2) develop and implement a management information system for the DOD Food Service Program that would include program costs, contract costs, and performance data.

UPDATE:

DOD has acted on all recommendations except one. On this recommendation, DOD has developed a legislative proposal, the Uniform Ration Law, which is supported by GAO. If passed, this proposal will satisfy the intent of the recommendation.

2. DOD's Beef Procurement Program Still Needs Improvement. PLRD-82-32, February 17, 1982

SUMMARY:

GAO conducted a review to assess the adequacy of the changes and improvements made to correct previously identified problems in Department of Defense (DOD) procedures and practices for purchasing beef.

Although DOD has taken some corrective actions, further improvements are still needed. DOD changes have not increased the number of beef suppliers in the program; rather, the number of DOD beef suppliers has decreased substantially. Among the major factors identified as problems were a lack of long-term contracts, rigid and complex specification requirements, the cost of quality assurance inspections, and late payment for products delivered. Attempts to use Department of Agriculture (USDA) meat graders instead of DOD in-plant inspectors are difficult because differences remain in the quality acceptance methods and practices of the two departments. These discrepancies have caused confusion among federal inspectors and beef purveyors and have resulted in increased costs to the government.

Recommendations: The Secretary of Defense should establish direct lines of communication with USDA on these problems and coordinate actions with USDA to correct problem areas. In addition, differences in standards between USDA and DOD should be justified, or one requirement should be agreed upon and adopted by both parties. The Secretary of Defense should adopt the use of long-term contracts for DOD's troop feeding program. These contracts should be of sufficient duration and quantity to enable new suppliers to defray the start-up costs involved in meeting special military requirements. In addition, the Defense Personnel Support Center should review the different forms of long-term contracts available; determine their effects on procurement, storage, and distribution; and select the most effective methods.

UPDATE:

DOD has begun to test and study different types of long-term contracts. Also, a more effective procedure for coordination has been developed which produced the agreement on using the same meat freezing temperature by both DOD and USDA.

3. Feasibility of Providing the Armed Services With Additional Surplus Dairy Commodities Owned by USDA. RCED-84-88, January 17, 1984
(See Title I p. 3.)

4. Government Could Save Millions by Revising Its Purchase Specification for Ground Beef. RCED-84-29, February 21, 1984

SUMMARY:

The major federal agencies that buy ground beef require that the product meet certain formulation and certification specifications. Some of these specifications increase the material costs and restrict the flexibility of suppliers without increasing the quality, flavor, or nutritional value of the meat. GAO reviewed this matter to determine whether the federal government could buy ground beef at a lower cost.

Ground beef suppliers and meat experts told GAO that, despite the government's formulation and certification requirements for its meat purchasing, the commercial product, which accounts for more than 95 percent of the U.S. ground beef production, is adequate for the government's use. Commercial customers rely on the Department of Agriculture's Food Safety and Inspection Service (FSIS) to ensure the quality of their meat products. The government could have saved about $20 million of the $181 million it spent for ground beef in fiscal year 1982 if it had purchased commercial ground beef. Further, if the responsibility for product quality assurance were transferred to FSIS, at least 2 cents per pound could be saved by eliminating some duplication in the certification process.

Recommendation: The Secretary of Agriculture should modify the federal purchase specification for ground beef to enable the government to purchase ground beef more economically.

UPDATE:

The Department of Agriculture revised its purchase specifications so that the government can acquire ground beef more economically.

5. Establishing New Federal Food-Buying Procedures Would Help Eliminate Unnecessary Special Examinations. RCED-84-150, September 24, 1984

SUMMARY:

GAO reviewed federal practices for accepting food purchases to determine if federal costs could be decreased by reducing the number of special examinations necessary to ensure the quality of accepted products.

GAO found that the direct cost of certification services was $18 million in fiscal year 1982. Although the Department of Agriculture has instructed federal agencies to waive certification when it is not cost-effective, some agencies routinely require certification because federal buying agencies do not have procedures for weighing the costs and benefits of certification. Some agencies believe that certification is necessary because suppliers who have previously supplied defective products cannot be excluded from competition for food procurements, but GAO noted that agencies may consider past performance in determining suppliers' responsibility. GAO also found that (1) many certifications duplicate industry quality control efforts or required federal inspections and (2) certification can be extremely costly because the costs of increased production time brought on by unnecessary certification are passed on to the government by suppliers. GAO noted that the costs of certification of one purchase of ground beef amounted to 9.3 percent of the total value of the purchase.

Recommendations: The Secretaries of Agriculture and Defense and the Administrator of Veterans Affairs should direct their respective food-buying agencies to establish procedures which would require that the costs and benefits of certification be weighed before deciding to require that specific food purchases be certified. To determine the cost of certification which may be required for a specific food purchase, the buying agency should request suppliers to identify the food price with and without the cost of certification and inform prospective suppliers that certification costs may be waived for qualifying suppliers. To assist buyers in weighing the benefits of certification, the Secretaries of Agriculture and Defense and the Administrator of Veterans Affairs should direct their buying agencies to establish procedures for obtaining available information on suppliers' qualifications and past records of performance from the Food and Drug Administration and the Food Safety and Inspection Service.

The Secretary of Agriculture should direct the Agricultural Marketing Service to recognize existing safety and quality control systems and to review and revise its certification procedures for meat and poultry products to (1) eliminate certification procedures that duplicate existing safety inspection procedures, (2) reduce certification effort where the Food Safety and Inspection Service has found that the suppliers' quality control systems provide adequate

assurance of product quality, and (3) reconsider the recommendations included in the report on the task force review of meat grading and certification control methods and procedures.

UPDATE:

USDA stated that it is considering GAO's recommendations and plans to implement those that it believes will make USDA's program more efficient. USDA also said that it plans to study the remaining recommendations so that they can adopted when adequate technology or new information indicates that it would be efficient to do so. The Department of Defense stated that it concurred with the concept of GAO's recommendation to establish procedures requiring that costs and benefits be weighed before deciding that specific food purchases be certified and will develop a method for suppliers to submit bids identifying food prices with and without the cost of certification. Defense did not agree with GAO's recommendation to establish procedures for obtaining available information on suppliers' qualifications and past records of performance from the Food and Drug Administration and USDA's Food Safety and Inspection Service. Defense believed that neither agency could provide meaningful information on the suppliers' ultimate qualifications to provide products that comply with Defense's contractual quality requirements. The Veterans Administration concurred with GAO's recommendations and said that it is revising its regulations and procedures accordingly.

FEDERAL FOOD SAFETY AND INSPECTION

1. Further Federal Action Needed to Detect and Control Environmental Contamination of Food. CED-81-19, December 31, 1980

SUMMARY:

GAO was requested to investigate the circumstances surrounding an incident involving the contamination of chickens and other food items in several western states by polychlorinated biphenyls (PCB). Because numerous federal, state, and local investigators were checking into the situation at the time, it was decided that GAO would monitor the federal agencies' investigations and report the corrective actions taken, or planned, to prevent similar incidents.

In the opinion of GAO, the Food Safety and Quality Service (FSQS) and Food and Drug Administration (FDA) took too long to identify and control the incident. The unnecessary delay was due primarily to the agencies' handling the incident as a routine matter. At least $3.5 million in costs, as well as the risk to human health, could have been avoided if the contamination had been identified and controlled earlier. FSQS and FDA, with help from the Environmental Protection

Agency (EPA), have taken actions to try to prevent similar incidents or to help them deal more effectively with any future occurrences. The three agencies also developed and published proposed regulations that would require removing all equipment containing PCB from food production and feed facilities. The Office of Technology Assessment identified several ways to improve the federal response to the problem. Among its suggestions was that a lead agency be designated or a federal assistance center be established to handle responses to contamination problems. The Departments of Agriculture, Health and Human Services (HHS), and EPA have taken a number of actions in response to previous recommendations. The actions have resulted in (1) improvements in the marketing of raw meat and poultry, (2) better regulation of pesticide exports and pesticide residues in imported food, (3) better coordination of pesticide residue testing and of contamination investigations, and (4) better control of hazardous wastes.

Recommendation: The Secretaries of Agriculture and HHS and the Administrator of EPA should clearly define which agency will assume the leadership role in various contamination situations in the future.

UPDATE:

No action has yet been taken on the recommendation.

2. Increase in Hourly Rate Charged by Department of Agriculture for Resident Inspectors at Egg Processing Plants. CED-81-82, March 11, 1981

SUMMARY:

GAO reviewed the Department of Agriculture's justification for a 40-percent increase in hourly fees for voluntary poultry and egg grading services.

GAO found that the increase in the hourly fee, which was the first increase since 1977, was needed because of (1) an earlier Food Safety and Quality Service decision not to increase the fee to cover a projected loss of $510,000 in fiscal year 1930, (2) an underestimate of about $440,000 in the net loss that the program would incur in fiscal year 1980, and (3) large increases in fiscal year 1981 costs due to an upgrading of poultry and egg graders, a federal pay raise, and increases in travel-related costs for relief graders. In addition, GAO found that the hourly rates charged for most other commodity grading services either have been increased recently or are in the process of being increased. In light of the increases in program costs since 1977, the Department of Agriculture was justified in increasing the hourly fee charged for poultry and egg grading.

3. Weak Management in Animal Disease Control Program Results in Large Economic Losses. CED-81-96, June 24, 1981

SUMMARY:

The U.S. Department of Agriculture (USDA) Animal and Plant Health Inspection Service is responsible for conducting regulatory and control programs to protect and improve the nation's animal and plant resources. The Service has two basic units: Veterinary Services, and Plant Protection and Quarantine. GAO reviewed the Veterinary Service's Brucellosis Eradication Program to determine whether improvements could be made.

Progress in the Brucellosis Eradication Program has been impeded because several disease control measures have not been implemented effectively. Some animals sold at livestock markets and identified as infected could not be traced to their herds of origin because of inadequate control over the collection of ownership information and the identification tagging of animals. Herds were not always tested in time to assure that infection was expeditiously identified. Controls were not always used to make sure that all animals in quarantined herds were accounted for from test to test so that any infection was identified as quickly as possible. Field personnel had not always followed procedures to locate herds exposed to disease by cattle purchased from herds subsequently found to be infected. While field personnel often attributed these operational shortcomings to lack of industry cooperation or personnel shortages, GAO found that weaknesses in the management systems were a primary cause of ineffective implementation of disease control measures. The management systems do not provide assurance that field personnel and each organizational unit know what is expected of them in implementing these measures, and they do not provide guidance for measuring performance regarding these expectations.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to (1) develop instructions covering the operations necessary to assure that disease control measures are properly implemented and, in conjunction with cooperating state agencies, provide the instructions to all field personnel, (2) establish goals that emphasize improved implementation of disease control measures, (3) modify the automated data system so that it can provide summary and exception information reflecting the degree to which disease control measures are properly implemented by each organizational unit and install the automated data system in states having a high incidence of animal disease, and (4) formulate cooperative agreements which clearly show lines of authority and responsibility for program functions at each organizational level for both state and Veterinary Services personnel.

The Secretary of Agriculture should direct the Administrator of the Animal and Plant Health Inspection Service to (1) collect and analyze information regarding the effects of extending the test period to include the recognized incubation period, including any increase in the number of infected animals identified and any increase in cost to herd owners, (2) revise the Brucellosis Eradication Uniform Methods and Rules to include dealer record-keeping provisions as a consideration in certifying a state's disease status, (3) strengthen enforcement activities by creating a separate line function for compliance personnel, requiring closer coordination of field investigations, and forming a cadre of personnel with the necessary training and experience to effectively pursue cases of improper health certifications by private veterinarians, and (4) resubmit the USDA draft bill authorizing civil penalties and, if it is enacted, establish heavier penalties for those who repeatedly circumvent disease control regulations and assure that penalties exceed the cost of complying with laws and regulations.

4. Improving Sanitation and Federal Inspection at Slaughter Plants: How to Get Better Results for the Inspection Dollar. CED-81-118, July 30, 1981

SUMMARY:

GAO reviewed the administration of the Federal Meat Inspection Act and the Poultry Products Inspection Act by the Department of Agriculture's Food Safety and Inspection Service (FSIS) at meat and poultry slaughter plants that do business in interstate commerce. Certain areas were identified in which FSIS could improve inspection activities and plant managers could better carry out their responsibilities to assure that slaughter plant operations are sanitary and that meat and poultry products are wholesome, unadulterated, and properly marked.

Those areas needing improvement included (1) sanitation, (2) pest control, (3) plant water systems, (4) product acceptance testing programs, (5) ante-mortem and post-mortem examinations, and (6) controls over condemned and inedible materials. Unannounced visits were made to 62 randomly selected meat and poultry slaughter plants in six states to evaluate plant and inspection staff compliance with inspection program requirements. Nearly one-fourth of those plants visited were not in compliance with one or more of the six basic inspection program requirements. The high incidence of unacceptable ratings and the large number of deficiencies found at plants not severe enough to warrant unacceptable ratings showed that both plant managers and inspection program staff were not fully meeting their responsibilities. Part of this inadequacy could have been due to a shortage of trained inspectors caused by hiring and budget restrictions. Because of these shortages, certain inspection responsibilities had

been neglected, including supervising line inspectors, performing acceptance tests, monitoring plant conditions and operations, and inspecting processing departments.

Recommendations: The Secretary of Agriculture should direct the Administrator of the Food Safety and Inspection Service (FSIS) to (1) require meat and poultry inspectors and supervisors to enforce more strictly FSIS sanitation requirements at slaughter plants with objectives of improving day-to-day plant sanitation and having plants maintain better sanitation on their own initiative rather than responding to deficiencies pointed out by inspectors, (2) more effectively monitor inspectors and inspection supervisors as they work to bring slaughter plants into compliance with sanitation requirements, (3) instruct plant inspectors on the need to document all deficiencies found during sanitation inspections and emphasize to supervisors that deficiency records need to be kept, and (4) develop a system of financial disincentives for slaughter plant managers who allow less than sanitary conditions to exist in their plants. This kind of system could include financial penalties, for which legal authority would be required, for poor sanitation or scheduling preoperative inspections late enough so that correcting any problems found would delay slaughter operations.

The Secretary of Agriculture should direct the Administrator, FSIS, to (1) require supervisors, as a one-time effort, to determine compliance with inspection program water system requirements during one of their monthly visits to each slaughter plant and to prepare special reports on their findings and any corrective actions taken, (2) issue more detailed guidelines on inspection program requirements for slaughter plant water systems and emphasize to inspectors and supervisors the importance of regularly inspecting these systems: the guidelines should include illustrations and descriptions of deficiencies likely to be encountered, and (3) require plant managers to obtain inspector approval of water system repairs and changes that could affect FSIS system requirements.

The Secretary of Agriculture should direct the Administrator, FSIS, to (1) improve FSIS monitoring of acceptance testing programs to assure that the programs are conducted in the prescribed manner and to assure the programs' integrity, (2) reevaluate and, where appropriate, strengthen the acceptance criteria to provide consumers with greater protection against receiving meat products contaminated or adulterated by dressing defects, (3) improve the acceptance testing programs by providing more detailed guidance for selecting random cattle carcass samples when the day's operation is longer or shorter than anticipated and by prescribing security measures to assure that cattle carcasses are not tampered with before the acceptance tests, and (4) consider the findings in this

report in developing a swine carcass acceptance testing program and in any revision of the cattle and poultry acceptance testing programs.

The Secretary of Agriculture should direct the Administrator, FSIS, to (1) instruct slaughter plant inspectors and supervisors to give increased attention to assuring that ante-mortem facilities and equipment are properly maintained and that inspectors perform their examinations of edible and inedible products in the prescribed manner, and (2) develop a formal program for reinspecting edible meat byproducts. The program should provide a reliable indicator that the product sampled is representative of the universe sampled and should include specific guidance to inspectors for conducting reinspections and documenting the results.

The Secretary of Agriculture should direct the Administrator, FSIS, to (1) emphasize to meat and poultry inspection program supervisors the importance of taking effective actions to bring plants up to acceptable levels of compliance when they are found to be out of compliance, (2) provide meat and poultry inspection program supervisors with improved plant-rating criteria that can be applied uniformly and that specify review findings which require a plant to be rated unacceptable in each rating area and overall, and (3) require meat and poultry inspection program supervisors to document the results of their required monthly plant reviews.

UPDATE:

The Department of Agriculture's FSIS agreed with virtually all of the recommendations made in the report and has or is taking actions to strengthen the inspection program. The recommendations were directed at strengthening enforcement of inspection program requirements, assuring that plant managers carry out their responsibilities to maintain sanitary operations, and helping to ensure the most efficient use of federal inspection resources.

The principal actions FSIS has taken on our recommendations include actions directed at (1) strengthening enforcement of sanitation requirements, (2) identifying plant water system deficiencies and preventing recurrences, (3) strengthening the quality acceptance testing programs, (4) improving inspection of edible and inedible meat and poultry products, and (5) achievingmore effective monitoring of meat and poultry inspection acivity.

5. Grain Fumigation: A Multifaceted Issue Needing Coordinated Attention. CED-8-152, September 10, 1981
(See Title X p.23.)

6. Better Collection and Maintenance Procedures Needed to Help Protect Agriculture's Germplasm Resources. CED-82-7, December 4, 1981 (See Title XIV p. 90.)

7. Regulation of Cancer-Causing Food Additives--Time for a Change. HRD-82-3, December 11, 1981

SUMMARY:

The Delaney Clause, incorporated into the Federal Food, Drug and Cosmetic Act by the Food Additives Amendment of 1958, requires the Food and Drug Administration (FDA) to ban food additives which are found to cause or induce cancer in humans or animals as indicated by testing. GAO made a review to (1) determine if modifications were needed to the Delaney Clause and (2) present an overview of the social, scientific, and regulatory issues involving food additives that might cause cancer.

The center of the controversy surrounding the Delaney Clause is the concept that no substance, in any amount, may be intentionally added to food if it has been shown to cause cancer. Tests to determine whether food additives cause cancer and statistical models to assess their risk to humans are available, but they have not yet been developed to the point where many experts totally accept their reliability. Most experts believe that the Clause should be changed but differ significantly on how to change it. Opponents of change argue that the Clause is the most effective way to deal with food additives that may cause cancer since not enough is known about cancer to allow their use. Twelve public opinion polls conducted over the past 10 years have shown that the public approves of the general policy of banning cancer-causing food additives. However, the public is opposed to a ban for specific substances like saccharin which have perceived benefits. Cancer-causing substances are regulated differently within FDA and among FDA and other federal agencies. GAO believes that the Congress should reexamine whether the Clause is still appropriate because of advances in the ability of analytical detection methods to identify substances at very low levels, uncertainties about the human risk from low levels of carcinogens, and the inflexibility of the current law. If the Clause were deleted, under the remaining legislation, a cancer-causing additive could be used if there was a reasonable certainty that no harm would come from its proposed use.

8. Changes Underway to Correct Inadequacies in Florida's Meat and Poultry Inspection Program. RCED-83-70, December 30, 1982

SUMMARY:

Florida is 1 of 27 states which operate inspection programs under provisions of the Federal Meat Inspection Act and the Poultry Products Inspection Act. These acts require the

U.S. Department of Agriculture (USDA) to inspect all meat and poultry products sold in interstate and foreign commerce, but they authorize states to inspect products in intrastate commerce if USDA has certified that their inspection laws and programs are at least "equal to" those of the federal government. In either case, inspection is to ensure that meat and poultry products sold for human consumption are safe, wholesome, and accurately labeled.

In response to a congressional request, GAO examined certain allegations received by the requestor regarding these equal to programs. Because the allegations raised questions about the effectiveness of the Florida program in particular, GAO agreed to focus its review on certain aspects of the Florida program--principally deficiencies which USDA has found and the state's follow-up actions on these and other deficiencies found by its own personnel.

USDA's Food Safety and Inspection Service provides inspection service at interstate plants and monitors the effectiveness of state equal to programs. It evaluates the effectiveness of state programs primarily by means of quarterly reviews of statistical samples of state-inspected plants. The Inspection Service uses the same procedures in these quarterly reviews as it uses to annually evaluate inspection efforts at federally inspected plants. It rates each state program quarterly on the basis of the percentage of unacceptable items found in the plant reviews.

The Inspection Service's ratings of the Florida program during 1980, 1981, and the first half of 1982 were consistently lower than the average of its ratings for all state programs and showed no significant trend of improvement. Inspection Service officials responsible for monitoring the Florida program told GAO that it has not been one of the better equal to programs, but they believed that the program has begun to improve under a new state inspection chief appointed in January 1981. Although the Inspection Service's ratings do not reflect improvements, GAO noted that the new chief had implemented some changes early in 1982, attempting to improve the program's effectiveness.

The Inspection Service's Compliance Division monitors firms which transport, store, distribute, and sell meat and poultry products after they have been inspected and passed at the producing plant to detect violations of the federal meat and poultry acts. Although these compliance activities are separate and distinct from the Inspection Service's in-plant inspections and its monitoring of state inspection program, these activities provide data which can help show the effectiveness of state (and federal) inspection efforts by reporting deficiencies which may have been missed by in-plant inspectors.

From January 1980 through June 1982, the Inspection Service's Compliance Division found 130 deficiencies involving producing plants or products inspected under the Florida program.

Florida did not establish a formal state compliance program until February 1982. Florida's files indicated that it was, for the most part, following up on the violations found by its own compliance program and on compliance violations USDA referred to the state. GAO also found that Florida has generally been adhering to its recently established procedures for documenting its follow-up actions on unacceptable items which the Inspection Service found in its quarterly reviews of state-inspected plants.

When determining which plants to review each quarter to evaluate the effectiveness of state inspection efforts, USDA's Inspection Service procedures require that a randomly selected statistical sample of all state-inspected plants be drawn. GAO's statistical analysis of the samples have not been completely random because the Inspection Service's area office was still using a flawed random number table which had been replaced in July 1976. GAO found no indications, however, that the area office had intentionally manipulated the samples to either include or exclude specific plants. After GAO brought this problem to the area office's attention, the office obtained the proper random number table for use in selecting Florida samples.

9. Federal Regulation of Meat and Poultry Products--Increased Consumer Protection and Efficiencies Needed. RCED-83-68, May 4, 1983

SUMMARY:

GAO reviewed the Department of Agriculture's (USDA's) Food Safety and Inspection Service's (FSIS's) regulation of processed meat and poultry products. The review was made to determine whether (1) standards have been developed to help ensure consumers of the uniformity and consistency of products, (2) products are properly labeled, and (3) sampling procedures are efficient and effective.

Products made with mechanically separated meat (MSM) and mechanically separated poultry (MSP) contain some pulverized bone, bone marrow, and certain potentially harmful minerals. Consequently, to protect the public, FSIS established specific standards and labeling requirements on MSM. Although a USDA study has shown that similar health and safety problems exist for MSP, FSIS has not established specific requirements for these products. Because MSM is different from hand-separated meat in that it contains higher amounts of calcium and cholesterol, FSIS established product standards and labeling requirements to prevent MSM products with misleading labels from

being sold to consumers. However, similar action has not been taken to protect consumers from products produced with MSP. In a related issue, FSIS has also established standards on the maximum fat and added water that cooked meat sausage products can contain to ensure the products' nutritional quality, but similar standards on cooked poultry sausage products have not been established. To ensure product compliance, FSIS takes three types of samples on processed meat products; however, GAO believes that changes could be made in each type of sample to improve efficiency and consumer protection.

Recommendations: The Secretary of Agriculture should direct the Administrator, FSIS, to establish (1) specific standards on MSP and labeling requirements on products made with MSP as has been done for MSM and products made with MSM, and (2) establish standards on the maximum fat and added water that cooked poultry and sausages can contain and appropriate sampling procedures to measure compliance with the standards.

The Secretary of Agriculture should direct the Administrator, FSIS, to (1) reduce verification sampling at plants with partial quality control systems that have good histories of compliance and reduce split sampling at plants that have accredited laboratories with good histories of compliance, (2) enforce its procedures on investigating and resolving major discrepancies on split-sample results between FSIS field laboratories and the accredited laboratories, and (3) provide inspectors with timely results on product compliance. This could be accomplished by reducing the backlog of samples that need to be analyzed at the FSIS field laboratories. By reducing the number of samples as recommended above, fewer samples would be analyzed by the FSIS field laboratories and the sample results would be returned to the inspectors faster. FSIS could also encourage plants to use nearby accredited laboratories.

UPDATE:

USDA said that the recommendation on consumer protection and sampling efficiencies have come at an opportune time and that it is or will be in the process of taking action on all of the recommendations. Because action on two of the recommendations involve publication of proposed rules which must follow the Administrative Procedures Act, completion of the action will probably not take place until 1985.

10. Improved Management of Import Meat Inspection Program Needed. RCED-83-81, June 15, 1983
(See Title XI p. 31.)

11. Followup on Actions Needed To Protect Depositors at Federally Examined Grain Warehouses. RCED-83-159, July 18, 1983

SUMMARY:

Pursuant to a congressional request, GAO provided information on actions taken by the Department of Agriculture (USDA) in response to recommendations contained in a 1981 GAO report (CED-81-112, June 19, 1981).

In that report, GAO found that the development and use of a reliable formula for predicting warehouses that may go bankrupt in the foreseeable future would make the federal warehouse examination program more effective. Accordingly, appropriate action was recommended to the Secretary of Agriculture. As a result, USDA is developing a predictive formula. GAO also noted that, in response to a recommendation calling for stricter financial reporting requirements, the Agricultural Marketing Service (AMS) and the Commodity Credit Corporation (CCC) amended their regulations. AMS regulations now require that warehouse financial statements be audited or reviewed by an independent certified public accountant and that they will be accepted with the understanding that the warehouse may be subject to an on-site examination and audit. CCC regulations provide that financial statements may be accompanied by a report of audit or review conducted by an independent certified public accountant. GAO stated that, because review and compilation reports do not contain an accountant's opinion, they do not provide USDA with sufficiently reliable financial information on warehouses.

Recommendation: Although USDA has made changes in its financial reporting regulations, USDA should revise its regulations to require that federally examined warehouses submit annual financial statements accompanied by an audit report prepared by an independent certified public accountant or independent public accountant.

UPDATE:

CCC does not intend to implement the recommendation. It stated that if it did so, many small warehouses would cancel their uniform grain storage agreement contracts because of the increased auditing costs. In some communities, this would result in a reduced number of approved storage facilities which are needed to carry out an effective price support and loan program.

12. Monitoring and Enforcing Food Safety--An Overview of Past Studies. RCED-83-153, September 9, 1983

SUMMARY:

GAO conducted a study which provided an overview of food safety regulation problems and cataloged major federal food safety programs and their costs. In addition, past recommendations for statutory, organizational, and administrative

changes were discussed as well as any changes that resulted and issues that remain to be addressed.

The major federal agencies involved in regulating food safety estimated that food safety programs would cost approximately $436 million and 12,500 staff years in fiscal year 1982. However, real dollars devoted to food safety programs have declined between fiscal years 1977 and 1982. Federal food safety regulation is often duplicative and sometimes contradictory, costly, and unduly complex. Changes suggested by past study groups have included consolidating programs in one agency, amending food regulation statutes to make them consistent and to increase agency authority, and increasing the use of interagency agreements and standing interagency coordinating committees. To date, organizational or legislative changes responding to study recommendations have not been made, although the agencies have taken some steps to address specific problems. GAO found that many agencies did not (1) have sufficient data to identify their regulatory scope or critical problem areas requiring attention, (2) manage agency staff efficiently and effectively, (3) investigate violators' corrective action effectively, or (4) have criteria to guide decisions about proceeding with enforcement against violators. Agency efforts to improve food regulation have also been constrained by scientific considerations.

13. USDA's Oversight of State Meat and Poultry Inspection Programs Could be Strengthened. RCED-84-23, October 21, 1983
SUMMARY:

In response to a congressional request, GAO reviewed the Department of Agriculture's (USDA's) oversight of state meat and poultry inspection programs to determine whether USDA certification procedures conform to the authorizing legislation and to evaluate the methods used in special USDA internal review studies of state inspection effectiveness. In addition, GAO summarized the results of USDA ratings of state-inspected plants to identify trends and the relative standings of state programs from 1980 through 1982.

Federal legislation gives USDA discretion in determining whether state programs are equal to the federal program. GAO believes that the USDA certification procedures are reasonable and consistent with legislative requirements. However, GAO identified several ways of making the certification procedures more effective. The Food Safety and Inspection Service (FSIS) has proposed substantial changes to its state program review guidelines which, if implemented, would establish a specific policy regarding frequency and scope of state-inspected plant follow-up visits. GAO believes that other proposed changes would strengthen federal evaluations of state programs. The basic methods used in an FSIS internal review to determine how state-inspected review results compared with the results of federally inspected plant

review results were sound, but GAO could not determine whether the results were valid.

Recommendations: The Secretary of Agriculture should direct the Administrator, FSIS, to eliminate, or substantially reduce, the influence of custom/exempt plant reviews on state program ratings. This should be done by either basing ratings solely on reviews of official state-inspected plants or, if the Secretary deems it more appropriate, making revisions to the present rating system. The Secretary of Agriculture should direct the Administrator, FSIS, to include uncorrected items found during followup visits at state-inspected plants with unacceptable items when computing state ratings. The Secretary of Agriculture should direct the Administrator, FSIS, to implement proposed policy changes that would specify the number of times a state-inspected plant with unacceptable items should be revisited and the number of basic inspection items that should be covered. The Secretary of Agriculture should direct the Administrator, FSIS to use comparisons of state and federal plant deficiency rates when certifying state programs. This should be done by using the comparisons either as a general factor considered in reaching an overall judgment on a state's program or by using the federal rate as a basis for periodically adjusting the ranges of unacceptable item percentages now used to rate state inspection efforts. The Secretary of Agriculture should direct the Administrator, FSIS, to emphasize to circuit supervisors (circuits are an organizational level of the service) the importance of accurately reporting federal plant review results and require that area supervisors place special emphasis on this area during their normal oversight of circuit supervisor performance.

To provide for more appropriate internal review coverage of FSIS' certification and general oversight of state meat and poultry inspection programs, the Secretary of Agriculture should instruct the Administrator, FSIS, to include this area in all regular reviews of circuit operations made by the review and evaluation staff. The Administrator likewise should include this area in similar reviews of regional operations should such reviews be implemented on a regular basis in the fuure.

UPDATE:

USDA planner has started action on all of the recommendations except for the one on comparing state and federal plant deficiency rates. USDA believes that reviews of state and federal plats are performed for different purposes and that comparison between them would not be practical or consistent with policy.

14. National Academy of Sciences' Reports on Diet and Health--Are They Credible and Consistent? RCED-84-109, August 21, 1984

SUMMARY:

Pursuant to a congressional request, GAO examined issues relating to two reports issued by the National Academy of Sciences (NAS), entitled "Toward Healthful Diets" and "Diet, Nutrition, and Cancer." Because the reports differed about whether the risk of chronic disease can be reduced through dietary modification, GAO was asked to (1) study NAS processes of providing reports on controversial subjects and (2) determine the range of issues pertaining to the relationship of diet to cancer.

GAO noted that "Toward Healthful Diets" was criticized because it minimized the benefit of dietary modification in reducing the risk of chronic disease, and that "Diets, Nutrition, and Cancer" was criticized because it suggested, allegedly without sufficient evidence, that dietary modifications can reduce the risk of cancer. GAO found that NAS has standard processes for (1) reviewing study proposals, (2) appointing scientists to study groups, (3) reviewing proposed reports, and (4) ensuring that proposed reports are scientifically credible. GAO believes that NAS followed its standard processes in issuing the two reports. GAO also found that (1) while the two reports differed as to whether dietary changes can reduce the risk of chronic disease, both offered dietary advice consistent with that offered by other groups and (2) the reports differed because they were written for different purposes and audiences by different groups within NAS and at different points in time. In addition, GAO found that the reports were representative of two different schools of thought with respect to what scientific evidence is sufficient for providing dietary advice to the public. According to scientists and NAS officials, this legitimate difference of opinion stems from the fact that nutrition science is not thoroughly developed. GAO believes that, to aid public understanding of its reports, NAS may want to consider (1) ensuring that study groups clearly set forth the basis for their conclusions and recommendations and (2) delineating in future reports the extent of scientific disagreement over subjects reported upon.

SEAFOOD

1. Foreign Investment in U.S. Seafood Processing Industry Difficult to Assess. CED-81-65, March 30, 1981

SUMMARY:

Recent increases in foreign investment in the U.S. seafood processing industry have caused concern among industry and public officials that U.S. owners and managers are losing control of the industry. They fear that foreign investors may unduly influence U.S. production, marketing, pricing, and fisheries development. GAO studied the extent and nature of

foreign investment and its impact on the seafood processing industry.

GAO identified 61 U.S. seafood processing firms with foreign ownership and 27 seafood processing firms which had loans from foreign sources. Federal and state government information on the extent of foreign investment in seafood processors is incomplete. Data classification procedures, consolidated reporting practices, and filing exemptions prevent a complete and accurate disclosure of foreign ownership in a specific industry such as seafood processing. The Commerce Department office with primary responsibility for analyzing the effects of foreign investment has not studied the seafood processing industry because it considers it to be a minor industry. Most of the states covered by the review did not require firms doing business in their states to disclose foreign investment. GAO found no consensus on the effects of foreign investment on seafood processors. Many respondents to a GAO questionnaire were reluctant to answer certain questions or said they had no basis to judge the impact of foreign investment. GAO noted that (1) a high percentage of foreign investment originates from relatively few companies within one country, Japan, (2) foreign investors may use a variety of indirect investment methods, such as some U.S. processors were wholly or partially owned by foreign companies or had foreign loans, to gain control of seafood processors, (3) the percentage of the industry's total output by processors with foreign investment is unknown, (4) foreign representatives are sometimes on the boards of directors of U.S. seafood processors, and (5) foreign investors may specify certain provisions, such as the right to acquire a portion of a processor's production, in loan agreements with U.S. processors.

2. Followup on the National Marine Fisheries Service's Efforts to Assess the Quality of U.S.-Produced Seafood. CED-81-125, June 22, 1981

SUMMARY:

In a prior report, GAO stated that a comprehensive assessment is needed of the quality of seafood produced by U.S. processors for domestic and foreign consumption. GAO pointed out several examples of foreign complaints about U.S. exports and noted that consumer and industry publications have been critical of the quality of U.S. seafood products. Since the earlier report was issued, GAO has collected additional information on the quality of U.S. seafood products that further demonstrates the importance of the recommended study.

Variable quality, as well as prices, marketing techniques, and other factors inhibit the demand for U.S. seafood products in foreign markets. However, evidence is not readily available to demonstrate conclusively the specific extent and

degree that variable quality impedes U.S. exports. Additionally, the National Marine Fisheries Service's voluntary inspection and certification program does not assure importers that U.S. products will meet or satisfy their quality requirements primarily because inspectors are not familiar with or trained in foreign quality standards. The quality of U.S. exports, as well as domestic products, can be improved by better on-board seafood handling techniques. Incentives, such as price differentials, to fisherman for higher quality products could help in achieving needed improvements.

Recommendations: The Secretary of Commerce should direct the Administrator of the National Oceanic and Atmospheric Administration to initiate a comprehensive study to assess the quality of U.S. seafood produced for domestic and foreign consumption. Because budget reductions and higher priority projects for Saltonstall-Kennedy funds have prevented the needed evaluation, the Secretary of Commerce should review other options to support the evaluation. The Secretary of Commerce should direct the Administrator of the National Oceanic and Atmospheric Administration to establish a program to train inspectors with a particular emphasis on informing them of foreign seafood quality regulations and requirements. The Secretary of Commerce should work cooperatively with the fishing industry, including fishermen, wholesalers, processors, and retailers, to establish the feasibility of a dockside grading program together with a system of price differentials for high quality products.

UPDATE:

As a result of the GAO report, the Secretary of Commerce established a task force with the fishing industry to assess the quality of U.S.-produced seafood. As a result of the task force's work, the fishing industry has, over the last few years, begun with some financial support from the government to implement quality improvement programs. Examples includes quality improvement studies relating to shrimp and groundfish.

ONGOING GAO JOBS PERTAINING TO THE AGRICULTURE AND FOOD ACT OF 1981

ALTERNATIVE CROP ASSISTANCE

022909 Impact of Offsetting Compliance and Cross Compliance on Farm Programs

SUMMARY:

Production adjustment programs, administered by the Department of Agriculture (USDA), are designed to reduce the amount of planted acres during a given crop year in order to bring supply more in line with demand. Under these programs, producers must take a certain percent of a farm's land out of production before becoming eligible for farm program benefits. Recently, the acreage reduction programs administered by USDA have not required cross or offsetting compliance in cutting production. Cross compliance means that a producer who participates in a program for one crop must also meet the program provisions for other major program crops which the producer grows. Offsetting compliance requires that a producer participating in a commodity program not offset the reduction he is making through the overplanting of that crop on another farm. These mechanisms can be implemented in either of two ways (1) the producer can be required to reduce plantings on all of his/her farms by the required acreage reduction percentage or (2) the producer can be required to limit his/her plantings on nonparticipating farms. The latter method has generally been used by USDA when either cross and/or offsetting compliance was required.

Because these mechanisms are not being used currently, individual participating producers can readily cancel the acreage reduction USDA realizes. For example, a producer can overplant on non-participating farms and offset part or all of the acreage reduction USDA realized from the participating farm. The impact of this is that the effectiveness of USDA's production control programs is undermined, contributing to the continuing spiral of higher surpluses, lower commodity prices, and higher farm subsidies.

The objectives of this review will be to illustrate the increased acreage reduction and corresponding decreased production levels that could have been achieved in the 1984 wheat and corn program by requiring (1) offsetting compliance, (2) cross compliance, and (3) offsetting and cross compliance.

COMMODITIES OTHER THAN WHEAT AND FEED GRAINS

097704 Review of U.S. Efforts to Support the Domestic Honey Industry

SUMMARY:

Since 1949, the United States has had a mandatory price support/loan program for domestically produced honey. The program cost relatively little until 1980. This was because the support price was near or less than the market price and little honey was forfeited to the Commodity Credit Corporation. This situation changed dramatically starting in 1980. Today, the support price is $.10 to $.15 above the market price, and over 90 percent of the 1983 crop under loan will be forfeited to the Commodity Credit Corporation at a cost to the federal government of $60 to $100 million.

The objective for this assignment is to evaluate the effectiveness and efficiency of the Honey Support Loan Program. This includes evaluating, among other things, (1) the reasons why program costs are escalating, (2) the current need for the price support program, and (3) the administration of the program.

DAIRY PROGRAMS

022897 USDA's Implementation of the Paid Diversion Program for Dairy Farmers

SUMMARY:

To help reduce inventories of the Department of Agriculture (USDA) owned dairy products which reached a high of about $4.2 billion in February 1984, legislation was enacted establishing a milk diversion program (MDP) under which farmers will be paid, $10 per 100 pounds, to reduce their milk sales from 5 to 30 percent of their 1982 or 1981-82 sales. To reduce sales during the 15-month life of the program, farmers will have to sell some cows and/or reduce per-cow output through various techniques.

GAO is reviewing the program because of its potential importance in reducing surplus milk production and government costs. The objectives of our review are to answer the following questions: (1) How did the program affect milk production, beef prices, and USDA purchases of dairy products? (2) Were there regional differences in MDP effects on milk production? (3) Could the program be administered in a way that assured compliance with program requirements? (4) What were the reasons for producers' MDP participation or nonparticipation?

022905 Comprehensive Report on Issues Relating to Dairy Surplus Problems

SUMMARY:

In recent years dairy production has exceeded demand. As a result, the Department of Agriculture's (USDA's) purchases of surplus dairy products under its price-support program have increased dramatically, reaching an all-time high of about $2.7 billion in fiscal year 1983. Executive and congressional actions taken to reduce USDA purchases and inventories of dairy products, until recently, achieved little success. This is evidenced by the growth of inventories which increased from $569 million in September 1979 to $4.2 billion in February 1984.

GAO has completed and has ongoing several discrete reviews of dairy related issues, many of which were initiated at the request of congressional committees and individual members. Some of these reviews dealt (deal) with minimizing dairy surpluses, some with efforts to reduce inventories through special and/or increased dispositions, and others with issues relating to the adequacy of inventory management. The objective of this review is to issue a comprehensive report to the Congress tying together all our work on dairy issues in a cohesive manner for use in deliberations on the 1985 Farm Bill.

GAO plans to address the following major questions in our capping report:

--What caused the imbalance between dairy supply and demand?

--What alternatives are available to the Congress to help balance dairy supply and demand?

--Is the dairy inventory being managed in the most efficient manner?

FARMER'S HOME ADMINISTRATION
CREDIT PROGRAMS

028001 FmHA Management of Farm Property

SUMMARY:

THe Farmers Home Administration (FmHA), in addition to its loan making activities, operates a property management program. This program involves the management and disposition of farm real estate which was acquired by FmHA as collateral on defaulted loans. Before 1981, FmHA never held more than 260 farms in inventory at any time. However, as of March 1984, this inventory included more than 2,000 farms valued at over $400 million.

GAO was requested to examine FmHA management of farm property and the procedures used to sell or lease that property. The requestors believe Congress never intended the FmHA to be one of our nation's biggest farm landlords. The agency was created to assist family farmers with their credit problems and they believe FmHA might be poorly equipped to act as a real estate agent or manager of hundreds of thousands of acres of farmland.

Our review work is directed toward answering the congressional questions by gathering information on FmHA in four broad categories: pre-acquisition, acquisition, management, and disposition of farm properties in FmHA's inventory. Our objective will be to answer the following questions:

1. Why has FmHA's inventory of farm properties increased so dramatically over the past 3 years?

2. What methods does FmHA use to acquire farm properties?

3. How does FmHA manage the properties that it has in its inventory?

4. What does FmHA do to sell or lease the farm properties that it has in inventory?

069273 Implementation of FmHA Coordinated Financial Statement System

SUMMARY:

On February 6, 1984, GAO was requested to review the Farmers Home Administration's (FmHA's) program to convert its farm borrowers to a new system of financial statements. In November 1983, FmHA issued proposed rules for implementation of the coordinated financial statements (CFS) in place of the forms it presently uses--the Farm and Home Plan (FHP)--to gather financial and production data on its borrowers. FmHA stated that the CFS will permit more sophisticated analysis which is needed to make better loan approval and loan management decisions. As of April 1984, FmHA had loans outstanding of $29.3 billion to 250,000 farmers.

The specific concerns of the requestors are:

--the CFS is so complex that farmers will be discouraged from applying for FmHA loans,

--FmHA plans to implement the system nationwide may not be reasonable,

--the decision made to select the CFS, including the type of procurement contract used, may not have been appropriate, in view of the results of the pilot test in North Carolina, and

--that borrower's eligibility for FmHA loans may be jeopardized by improper completion of the CFS.

Subsequent to our receipt of the request, the Department of Agriculture's Office of Inspector General (OIG) did extensive work on the selection and implementation of CFS. Their work, in combination with the May 22, 1984, oversight hearings on CFS by a Subcommittee of the House Committee on Government Operations, addressed issues raised by the requestor and others concerning (1) the process followed by FmHA in selecting CFS, (2) the decision by FmHA to implement the CFS nationwide and the subsequent expenditure of over $700,000 for CFS training and material before completing the CFS pilot study in North Carolina, before OMB approved the forms for nationwide use, and before publishing for public comment the proposed regulations for implementing the CFS, and (3) the influence the relationship between the Administrator, FmHA and the developer of CFS, had on the decision to select the CFS over other alternative financial systems.

GAO was also asked to evaluate the FINPACK System. FINPACK is a financial management system using computer technology to aid in making loan decisions and to supervise those loans to graduation from FmHA financing. This system has been used in Minnesota by FmHA and the Extension Service since 1977.

Since the hearings and the OIG work answered some of the questions from the requestors, our review now covers two objectives (1) to obtain FmHA county supervisors and FmHA farm borrowers reaction to CFS and (2) to evaluate whether FINPACK is an alternative to CFS.

FOOD/AGRICULTURE SAFETY/QUALITY

097706 Department of Agriculture's Role in Regulating Intentional Release of Genetically Engineered Organisms

SUMMARY:

GAO was requested to undertake a review of the programs at the Department of Agriculture (USDA) in the area of biotechnology generally and, more specifically, how such programs relate to decision making concerning the deliberate release of genetically engineered organisms into the environment.

Genetic engineering, a scientific breakthrough of the 1970's, is the process of creating a novel organism by addition or deletion of genetic material without going through the natural cycle. Biotechnology is the manufacture, processing, distribution in commerce, use, or disposal of genetically engineered substances.

USDA appears to have authority in the genetic engineering/biotechnology area through four laws: (1) the Plant Quarantine Act, (2) the Plant Variety Protection Act, (3) the Federal Noxious Weed Act, and (4) the Virus-Serum-Toxin Act. USDA has traditionally focused on the promotion of agriculture, rather than on an aspect such as environmental regulation, and its intentions to date in this regard have been somewhat unclear. Because genetic engineering involves the "unknown" to a large extent, public and congressional concerns have been expressed over the possible harmful consequences to public health and the environment of some of the organisms which have been or may be genetically engineered.

The House Committee on Science and Technology published a report in February 1984 which contained a recommendation for GAO to review the activities of USDA in overseeing biotechnology and evaluate the agency's programs to regulate deliberate releases of genetically engineered organisms under all relevant statutes, regulations, and executive orders. The Congressional Research Service was called upon to conduct a review of the legal authority of USDA. GAO was asked to (1) evaluate USDA's organization, programs, budget, research, and personnel as related to genetically engineered organisms, (2) analyze the relationship between USDA, the National Institute of Health (NIH), and the Environmental Protection Agency (EPA) (two additional agencies which also have responsibilities in this regard), and (3) document USDA's research and development activities in biotechnology.

GAO plans to develop additional information and prepare a report which will address the first two items above. The third item--documenting USDA's research and development activities in biotechnology--will be undertaken in a separate assignment discussed below.

097709 Documenting USDA's Research and Development Activities in Biotechnology

SUMMARY:

GAO was requested to undertake a review of the programs at the Department of Agriculture (USDA) in the area of biotechnology generally and, more specifically, how such programs relate to decisionmaking concerning the deliberate release of genetically engineered organisms into the environment.

This review relates to documenting USDA's research and development activities in biotechnology and involves a questionnaire that GAO will be administering jointly with the National Association of State Universities and Land Grant Colleges (NASULGC). NASULGC was in the process of preparing a questionnaire to be sent to all state universities and land grant colleges inquiring about their biotechnological research efforts. The questionnaire did not address some of the questions GAO considered necessary to be responsive to the committee request. To avoid undue burden on recipients, GAO and NASULGC agreed to jointly send out a questionnaire which would provide the answers that both are looking for. The questionnaire will provide information relating to the genetic engineering research efforts funded by USDA's Cooperative State Research Service. GAO will separately develop information relating to the genetic engineering effort of USDA's Agricultural Research Service and Office of Grants and Program Systems.

FOOD ASSISTANCE

023237 Fostering Optimal Use of WIC Program Benefits

SUMMARY:

The Special Supplemental Food Program for Women, Infants, and Children (WIC) makes specified nutritious foods available to infants (less than 1 year old), children (1 to 5 years), and pregnant, postpartum, or breastfeeding women who are individually determined to be at nutritional risk and meet certain income eligibility standards. The WIC Program has expanded rapidly since its creation in late 1972 and now provides benefits to approximately 3 million participants. Indications are that more women, infants, and children are potentially eligible than can be accommodated within recent funding levels. While the WIC Program has not undergone the funding cuts experienced by other food assistance programs, and domestic programs generally ($1.36 billion for WIC in fiscal year 1984 compared with $1.16 billion in 1983), it is unlikely that program participation levels will be able to expand to the same extent they have in the past.

Growing federal deficits, efforts to stem federal spending, and a growing belief that WIC will not be unaffected by overall budgetary restraints suggest a need to ensure that whatever funds are made available for WIC are directed first and foremost to those among the potential eligible population who are identified as being at greatest risk and likely to profit most from being in the program. Targeting limited resources to those who available evidence indicates are likely to benefit most from WIC intervention represents a prudent and optimal use of a scarce resource--a way of deriving the maximum benefit from each federal dollar spent on WIC.

Accordingly, a GAO review has focused on

--determining to what extent state and local WIC agencies were attempting to target WIC benefits;

--assessing how nutritional risk factors and standards are applied in determining applicants' eligibility for WIC benefits;

--examining the extent to which state and local WIC agencies were documenting and verifying income eligibility for WIC;

--examining the impact that Service and state agency fund allocation and reallocation procedures were having on how state and local agencies were operating their programs, and on the efforts that they were making to targeting benefits to specific categories of applicants; and

--identifying opportunities and means for improving targeting risk determination, fund allocation, and income eligibility determination procedures in order to optimize the beneficial impact of available WIC resources.

023238 Assessment of Redeterminations of Eligibility for Continued Food Stamp Benefits

SUMMARY:

Measurements of overissued benefits through states' quality control reviews show that over $1 billion in benefits is being disbursed annually to households whose financial and other circumstances do not justify the value of food coupons they receive. Individual states' analysis of their quality control review results has shown that failure of participating households to report or to accurately report changes in household resources, income, and members are major reasons for continuing losses. Additionally, state caseworkers do not consistently use household-provided data or other available data to adjust benefit levels at appropriate times.

Existing regulations require state agencies to reexamine households' eligibility for continued benefits at least once every 12 months and more frequently depending on the likelihood of changes in household income or other factors affecting eligibility. The Department's Office of Inspector General reports have shown that several large cities have arbitrarily extended eligibility periods for many participants by as long as 6 months. Such practices can contribute substantially to overissuances.

The Congress has increased states' financial responsibilities for dollar losses exceeding specified percentages of

total benefits disbursed. In response, some states have increased their emphasis on keeping recertifications up to date. Maryland officials, for example, told us that they believed a major portion of the errors in their state was attributable to overdue redeterminations of eligibility and that the 138 additional staff hired to eliminate the backlog --which was originally estimated at half of all cases--would considerably reduce their payment error rate.

The objectives of our review were to evaluate the reliability of studies concerning the effectiveness of monthly reporting in reducing participant and agency errors, and to assess how well the monthly reporting requirement was being implemented.

023239 Management and Application of Collection Techniques for the Recovery of Overissued Food Stamp and AFDC Benefits

SUMMARY:

In February 1983, we reported that the Department of Agriculture (USDA) needed to take steps to promote improvements in states' recovery of overissued food stamp benefits (RCED-83-40). In fiscal years 1980 and 1981, about $2 billion in food stamp benefits was overissued because of state food stamp agency errors and recipient errors and fraud. During the 2 fiscal years, states collected only about $20 million or 1 percent of each overissued dollar. State officials often cited the absence of sufficient financial resources and effective collection tools as reasons their collection activities had not been more aggressive. Similar problems, although not as severe, existed in the Aid to Families with Dependent Children (AFDC) Program.

USDA, the Congress, state program officials, and others have been concerned that the relatively low attention to collections may increase the likelihood of participants providing inaccurate application data. Also, not collecting overissuances wastes opportunities for reducing federal losses. The Congress, in recognizing the need to increase recoveries, strengthened collection techniques by requiring states to use recoupment (offsets) to recover overissuances by reducing current benefits of certain households. The specific procedures and circumstances under which offsets can be exercised vary between the AFDC and Food Stamp Programs but in general are limited to about 10 percent of the current benefits. State agencies are also allowed to keep a portion of all collections, except those caused by agency errors.

States were to implement AFDC offset procedures by October 1981 and similar food stamp procedures by April 1983. States are also responsible for using other appropriate collection techniques when offset procedures cannot be

used because households are no longer receiving benefits. More recent data show some increases in collection, but they still represent only a small percentage of program losses.

In making this review, we set out to (1) evaluate how well states are implementing the recoupment provisions and other collection procedures, and review the management controls established to assure that they are used, (2) compare collection procedures for the AFDC and Food Stamp Programs, and (3) determine the collection methods used to recover claims against households no longer receiving benefits.

023240 Retailer Compliance With Food Stamp and WIC Program Restrictions

SUMMARY:

Under the Food Stamp Program and the Special Supplemental Food Program for Women, Infants, and Children (WIC), participants certified eligible to receive benefits are issued coupons or vouchers which can be used to purchase eligible foods at authorized retail grocers. The purchase of non-food items with food stamp coupons is not allowed, and only specified types and quantities of foods can be bought with WIC vouchers. There has been concern by the Department of Agriculture (USDA), the Congress, program administrators, and others that retail grocer violations of the restrictions on what can be bought with the coupons or vouchers are contributing to losses and undermining the food purposes of the programs, the nutritional benefits that participants are supposed to receive, and the public's perception of the programs' value.

In 1978, GAO issued a report (CED-78-183, Dec. 28, 1978) concluding that USDA had unnecessarily authorized participation in the Food Stamp Program by some retailers who sold only token amounts of staple foods. Also, the report noted extensive backlogs in investigations, problems in imposing penalities, and weaknesses in internal controls to insure that retailers and banks only redeem properly acquired coupons. Some legislative and program changes have occurred since then; however, allegations of retailer misconduct continue to reach the Food and Nutrition Service.

GAO had never reviewed the retailer aspect of the WIC program. The Service recently delegated to the states responsibility for monitoring retailer compliance with WIC program requirements. USDA's Inspector General has identified problems such as stores providing other than the specifically prescribed foods and charging amounts exceeding listed shelf prices. Thus far, however, there has been relatively little federal or state effort to evaluate this aspect of the WIC program.

The overall objective of GAO's review was to determine how well the Service and its state agencies were administering the authorization and oversight of retail food stores involved in the Food Stamp and WIC Programs. GAO's specific objectives were to

--determine whether the authorization of retail food stores was being performed in accordance with program objectives and requirements,

--assess the appropriateness of procedures to assure that authorized stores continue to meet program requirements,

--determine what procedures were used to identify and document program violations and abuses,

--assess the effectiveness of program controls and investigative practices, and

--explore the possibilities for greater coordination between the Service and its state agencies to better meet program objectives and ensure program integrity.

023243 Assessment of Existing and Alternative Procedures for Issuing Food Stamp Benefits

SUMMARY:

Most food stamp benefits are distributed through authorization-to-participate (ATP) card systems. ATP's are check-like documents which show a food stamp household's monthly benefit allotment and certain identifying information. In most cases, these are mailed to recipients each month and are redeemable for food coupons at the food coupon issuance centers which sometimes are program or governmental offices and sometimes are private agents who are paid a fee. GAO reported (CED-83-14, Jan. 14, 1982) that such benefit-delivery systems were highly vulnerable to recipient and third-party fraud and had resulted in federal losses of millions of dollars. Even higher losses have been incurred under another system involving the direct mailing of food coupons to recipient households.

To minimize the opportunities for losses, some areas have been required to issue photo-identification cards to participating households to prevent unauthorized individuals from obtaining coupons with stolen cards. Also, there are limits on how many times recipients can have lost or stolen cards replaced.

GAO recently completed field work on a follow-on review of the systems and procedures that states use to issue (deliver) food stamp benefits. This work was focused on

determining what progress states had made since our January 1982 report in reducing the millions of dollars of food stamp coupons lost each year through the issuance process by such actions as theft, fraud, or agency error. GAO also wanted to evaluate states' progress in improving the effectiveness of their food stamp benefit delivery by using modified or alternative systems and procedures.

023248 Evaluation of Information and Verification Requirements for Determining Eligibility for School Meal Program Benefits

SUMMARY:

The National School Lunch Program authorizes federal assistance to states in providing free and reduced-priced meals to school children. In fiscal year 1983, this assistance totaled $3.2 billion. To qualify for such meals, the head of a household must submit an application to the local school or school district, where a determination is then made concerning eligibility for benefits.

Until the 1983-84 school year, school personnel only were required to verify information on applications if there were a good reason to believe that the information was incorrect. In 1980, the Department of Agriculture's (USDA's) Office of Inspector General reported that these procedures allowed a sizeable number of school-age children to receive free or reduced-price school meals inappropriately because parents had not correctly reported their income. Other USDA studies confirmed these findings.

Legislation adopted in 1981 requires applicants for free or reduced-price lunches to provide documentation of family income and other factors affecting eligibility. It also requires verification of a portion of the applications for school meal assistance. Regulations effective for the 1983-84 school year require schools to verify the eligibility of 3 percent or 3,000 (whichever is less) of the applications received. Regulations effective for the 1984-85 school year required applicants to furnish additional supporting data for their applications, but reduced schools' verification requirement to the lesser of 1.5 percent or 1,500 of the total applications.

GAO's overall objective is to determine ways in which school meal verification procedures and applicants' information reporting requirements can be made more effective for the Service, state, and local officials operating the program. This will involve comparing and contrasting the effectiveness and efficiency of verification procedures and reporting requirements employed by selected schools and school districts. GAO will determine whether verification procedures are adequate to detect improper certification for

school meal benefits and whether applicants for free and reduced-price school meals provide sufficient documentation of family income and other factors affecting eligibility. GAO also will evaluate the effectiveness of procedures for documenting and verifying eligibility for school meal program benefits, and determine whether those procedures comply with Service regulations. GAO's review will draw on, and be buttressed by, Service pilot studies in this area.

FOOD/FIBER MARKETING

097689 Effectiveness of Agricultural Marketing Order Programs

SUMMARY:

Marketing orders first came into being as a result of the Agricultural Marketing Agreement Act of 1937. This was a time of great economic turmoil for agriculture and the rest of the economy and this legislation was, in part at least, provided by the Congress as a tool for establishing and maintaining orderly marketing conditions and establishing a "fair" price to farmers. There are 48 federal marketing orders for fruits, vegetables, and specialty crops, covering commodities in some 34 states. More than half of the fruits and tree nuts produced in the United States, and about 15 percent of the vegetables are covered by these programs. The covered commodities had an estimated value to the farmer of about $6 billion in 1984.

Marketing orders functioned for more than 3 decades with relatively little controversy. During the 1970's however, concerns about them arose from (1) those concerned about the burdens that any form of regulation places on industry and the economy, (2) consumers worried about food costs and availability, and (3) members of the affected industries who object to the restrictions on their activities or the manner in which the orders are administered.

The subject of marketing orders continues to be a topical and controversial one. Supporters defend marketing orders as efficient means for maintaining an equitable supply/demand balance. Opponents contend that the orders are philosophically out-of-step with the free market and that supply controls result in waste and artificial price increases.

The objective of this review was to gain a better understanding of federal marketing orders by going beyond the array of economic studies conducted over the years and examining both economic and marketing aspects. Most of the existing analyses focus on the issue of whether orders are potentially restrictive, an important economic issue, but one that directly applies only to the marketing orders that

attempt to control supplies. GAO chose to examine how effectively all the supply and demand tools available to marketing order committees meet the congressional goal of creating and maintaining orderly marketing conditions. In particular, GAO is addressing the

--controversies surrounding the program,

--emerging trends in the use of marketing orders, and

--administration of the program.

097710 Executive Analysis of the Food/Fiber Environmental Trends, Government Policy and Resulting Paradoxes

SUMMARY:

In 1985, the Congress will reconsider the basic food, agriculture, and nutrition program authority contained in the 1985 "farm" bill. GAO expects that 1985 will start a multiyear debate that could substantively change the basic legislation. High farm assistance budgets, large surplus crops, chronic hunger and increased bankruptcies suggest the need for a more flexible set of policies to respond to a volatile climate and clarify public and private objectives, roles, and methods. The debate on the bill will cover authority directed at practically every facet of the largest U.S. commercial sector. Myraid special interests and endless competitive statistics surround the discussion. The overall situation is easily forgotten as the debate focuses on specific problems and provisions.

The debate could be improved by a short, executive-style document that provides pertinent facts quickly and gives a historical perspective to the situation. The GAO executive analysis will filter the available data and provide selected important sector trends and the supply/demand trends that describe the food and fiber environment. It will address the multiplicity and inconsistencies of the goals and objectives of federal policy and contrast them with the programs and their results. It will describe the implications and paradoxes resulting from long standing policies, goals, and programs in the changing environment. And it will briefly discuss the major questions that need to be addressed in developing future farm policy. The report will use graphs and charts extensively.

PAYMENT-IN-KIND (PIK) PROGRAM

022887 Economic, Farm Structure, and Resource Management Effects of the Payment-In-Kind Program

SUMMARY:

Overproduction and weak demand for agricultural commodities has led to (1) severely depressed commodity prices, (2) record increases in commodities under government loans, and (3) huge increases in budget outlays for agricultural price support programs. These budget outlays reached a record level of about $12 billion in fiscal year 1982 and about $19 billion in 1983. As a result, the Administration introduced a Payment-In-Kind (PIK) program to reduce excess supplies of wheat, corn, sorghum, cotton, and rice to a level more in line with the demand for these commodities. Under the PIK program, farmers who agree to take out of production between 10 and 30 percent, or in some cases 100 percent, of their producing acres will receive as payment a certain amount of the commodity they would have grown on these acres. Farmers must meet applicable conservation use practices for the PIK land taken out of production. The PIK program has resulted in a reduction of 77 million acres of planted farmland in 1983.

To participate in the PIK program, farmers must be enrolled and in compliance with the 1983 acreage reduction and paid land diversion programs. The program's overall objectives are to (1) reduce production, (2) reduce surplus commodity stockholdings, and (3) avoid increased budget outlays that would otherwise be necessary under existing price-support programs.

Because of the unanticipated, large participation in PIK the cost of the 1983 program is estimated to be about $9.8 to $10.9 billion. As such the program has attracted a great deal of attention. The decision-making process that resulted in PIK, alternatives to PIK, the program cost, PIK participation and the types of conservation practices used in retired PIK acres have all become controversial issues. On September 22, 1983, GAO was asked by the Chairman of the Subcommittee on Department Operations, Research, and Foreign Agriculture of the House Agriculture Committee to review certain economic, farm structure, and resource management effects of the PIK program. Essentially, the issues raised by the Chairman focused on how the PIK program was put together.

The objectives of this review are to

--determine the total cost of the 1983 PIK program;

--determine the distribution of PIK program payments to farmers according to the size of farms and estimated value of commodities to individual operators;

--compare farm participation rates under the PIK program with other land retirement programs since 1977, specifically reviewing the $50,000 payment limitation to farmers;

--determine the extent to which USDA considered targeting the land retirement impacts of the PIK program toward highly erosive soils;

--determine what studies were made and used in making decisions on establishing the provisions of the PIK program. These will include data on the adequacy of available commodity stocks, payment rates, and the whole bid provisions.

022888 1983 Payment-in-Kind Program Overview: Its Design, Impact, and Cost

SUMMARY:

The PIK program is directed at reducing the production of certain surplus commodities by "paying" farmers with the existing surplus commodities instead of cash. Since its beginning in January 1983, the program has been at the center of a great deal of controversy. Some critics contend that its a very expensive unnecessary program while at the same time its proponents contend that it was a very effective and necessary attempt at decreasing production, reducing surplus inventories and stabilizing commodity prices.

In response to the interest expressed by Congress and the controversy surrounding the PIK program, GAO decided that the most effective way to assist Congress on this issue would be to tie all of our ongoing PIK work together in a capping report.

The specific issues evaluated include (1) the justification for the design and formulation of the key program provisions, (2) the impact the program had when measured against the program's objectives, (3) the cost of the program, (4) the distribution of payments to farmers, and (5) effectiveness of the Department of Agriculture's acquisition and delivery of PIK commodities to farmers. GAO will point out the positives and negatives of the program and what can be learned from the PIK experience and applied to future farm programs.

RURAL DEVELOPMENT

021011 Funding Alternatives for the Grasshopper Control Program

SUMMARY:

GAO was requested to study the Department of Agriculture's (USDA's) Animal and Plant Health Inspection Service (APHIS) current method to fund the federal grasshopper program.

There currently is a major grasshopper infestation problem in Idaho and other western states. USDA has in the past programmed major funding cutbacks in this area and is reviewing its role and responsibilities.

GAO is to present alternative funding mechanisms that Congress could consider as ways to provide APHIS budget authority.

WHEAT/FEED GRAINS

022902 Impact of Policy on Refund of 1983 Advance Deficiency Payments

SUMMARY:

The Omnibus Budget Reconciliation Act of 1982 authorized advance deficiency payments at the time of enrollment for producers participating in the 1983 acreage reduction program for corn and grain sorghum. Deficiency payments are cash payments made to producers to supplement the producer's income when a commodity's market price is lower than a set-price, or a target price, establish by law. The act also provided that any amount paid to participating producers which exceeded the final payment shall be refunded before the end of the marketing year which occurred on September 30, 1984, for corn and grain sorghum. On April 2, 1984, the Department of Agriculture (USDA) announced that no deficiency payments were due corn and grain sorghum producers who participated in the 1983 program because the national average market prices for the two grains were above their established target price levels. On the basis of USDA records as of July 1984, GAO estimates that about $240 million in advance deficiency payments for corn and grain sorghum were paid to producers in 1983 and, based on the Omnibus Budget Reconciliation Act of 1982, these payments should be refunded to USDA by September 30, 1984.

However, USDA has administratively changed its policy on refunds of advance deficiency payments to provide an additional incentive for producers to participate in the 1984 corn and grain sorghum program. This policy delays until April 1, 1985, producer repayments of corn and grain sorghum advance deficiency payments from September 30, 1984, for producers who join the 1984 program. A major question arises as to whether USDA has the authority to administratively change

the refunds of advance deficiency payments which were established by law. Also a major concern is the cost impact that this decision will have. Considerable interest costs could result from this policy change. The monthly interest cost on delaying $240 million of advance deficiency payments that should be due on September 30, 1984, amounts to about $1.8 million per month based on the current interest rate charged by the Treasury to USDA of 9.875 percent. Based on a 50-percent signup, interest costs could amount to about $5.4 million.

Although the Omnibus Budget Reconciliation Act of 1982 authorizes advance deficiency payments for crop years 1982-85 for corn and grain sorghum and other commodities, the 1984 corn and grain sorghum program provisions as announced by USDA in October 1983 do not contain provisions for advance deficiency payments. Because such a provision was not included in the 1984 program, USDA's recent policy change on refunds of advance deficiency payments may be in conflict with the 1982 act.

The major issues to be addressed are (1) the legal basis for delaying collection of the 1983 advance deficiency payments for corn and grain sorghum beyond September 30, 1984, (2) the additional cost incurred as a result of extending the payment date, and (3) the procedures established by USDA for collecting these payments.

(097708)